A SPECIAL REPORT
Pages 17-20
AVIATION

Herald INTERNATIONAL Tribune

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TODAY:

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Stakes Are High as EU Leaders Gather for Summit



Jeroen Jansen/Reuters

The police in Amsterdam battling marchers protesting unemployment over the weekend. The demonstration started peacefully, but grew violent when protesters neared the building where EU leaders will meet this week.

Unspeakable Reality: Europe's Falling Apart

By Edmund L. Andrews
New York Times Service

FRANKFURT — When European leaders meet in Amsterdam on Monday, they will almost certainly portray themselves as solidly united in the last mile of a historic project: the introduction of the euro, the celebrated single European currency envisioned as a big step toward a fully united Europe.

The reality will be different. Having been pushed further than most people ever thought possible, the euro is pulling Europe apart at the seams.

In the last three weeks, France's conservative prime minister has been defeated. In Germany, the center-right coalition under Helmut Kohl is paralyzed by its worst budget crisis in decades, and Mr. Kohl's government is in danger of following France's lead. Old national animosities have also flared: The French are rebelling at German rigidity; the Germans are suspicious of Italy's financial management; Italians are raging at being treated like second-class Europeans.

European leaders narrowly avoided a meltdown last week after France's new Socialist government abruptly balked at taking the next step toward a single currency by refusing to sign a crucial agreement on enforcing fiscal discipline. Leaders now appear ready to paper over the dispute in Amsterdam by accommodating France with vague language emphasizing the importance of creating jobs.

See REALITY, Page 7

Contemplating a world without the euro. Page 7.

Cautious Optimism For Deal to Save Euro

By Tom Buerkle
International Herald Tribune

AMSTERDAM — The leaders of the European Union arrived here Sunday for what promises to be one of their most contentious summit meetings in years, as senior officials worked frantically to bridge a huge economic-policy divide between France and Germany that threatens Europe's plans for a single currency.

Finance ministers from the 15 EU countries met over dinner Sunday evening in a bid to reconcile Germany's insistence on strict monetary discipline with French demands for programs to stimulate growth and jobs.

Officials expressed cautious optimism that the leaders would be able to reach a compromise when the two-day meeting begins Monday.

Prime Minister Wim Kok of the Netherlands, who will lead the meeting as holder of the Union's rotating presidency, spoke by telephone over the weekend with Prime Minister Lionel Jospin of France and Chancellor Helmut Kohl of Germany and felt "confident that a deal can be struck," one Dutch official said.

Prime Minister Jean-Claude Juncker of Luxembourg, who in December helped broker an earlier French-German compromise on the stability pact, said he had had "sufficient contact to know that we will have success."

See SUMMIT, Page 7

Conflicting ideas about the road to EMU, Page 7.

Immigrants Turn Tables On Ireland

An Illegal Influx Searches for a Taste Of Economic Success

By James F. Clarity
New York Times Service

DUBLIN — For the first time in its history, Ireland, a nation proud of the achievements of the millions of economic and political refugees it has sent to other countries, is suffering an immigration problem.

The largely illegal influx in the last two years of more than 3,000 foreigners, tiny for most countries but enormous by Irish standards, has overwhelmed the government bureaucracy and the legal system. The bureaucracy needs new regulations to deal with the flow, and private agencies say they are unable to find enough lawyers to handle the immigrants' cases at no charge.

Some of the foreigners, most of whom are from Romania, Congo and Somalia, have stirred outbursts of racism in this homogenous country of 3.5 million people where it is rare to see a brown or tan face on the street.

More than 50 refugees are arriving every week, a rate expected to double in coming months. Five years ago, the rate was less than one a month.

The immigrants, government officials say, have been attracted by reports of Ireland's economic surge, and by reading advertisements on the Internet and hearing by word of mouth of agents selling trips to Dublin, most of them illegal.

Such trips cost from $3,000 from Eastern Europe to $5,000 from Africa, the two areas producing most of the refugees. The ads also describe the social welfare benefits available to refugees.

The seriousness of the immigrant situation has attracted the attention of Bertie Ahern, who is expected to become prime minister in three weeks. He took time out from the election campaign last week for a visit to the Irish Refugee Council, a private aid group, to be briefed.

One immigrant at the council office told his story.

The man, Bellahi Brahim-vell, 35, said he was a former Mauritanian diplomat, a member of the Tuareg minority, who had been serving a prison term in his country for political subversion. He said he had formed a group that accused the president of permitting the buying and selling into slavery of Tuaregs.

"Classical 19th-century slavery," he said. "I am Tuareg. So they sentenced me to seven years for subversion. I

See IRELAND, Page 9

China Girds for a Leap Up the High-Tech Ladder

By Steven Mufson
Washington Post Service

WUXI, China — Nearly 40 years ago, the Communist government set up a state-owned enterprise here to bake ceramic plates and cups. Today, after merging with an ailing machine-tool maker, the transformed company is churning out sophisticated washing machines with computerized control devices.

"We use fuzzy logic," said Guo Liang, a production manager at Wuxi Little Swan Co., describing the technology that enables the machines to measure the size and dirtiness of laundry loads and to calculate how much water and detergent should be added. With production of more than a million washing machines a year, the company is looking beyond the Chinese market and expects to export 10 percent of its machines this year.

Wuxi Little Swan is part of a larger trend in the Chinese economy, which is growing and creeping up the technology ladder at the same time. Once primarily an exporter of teacups, toys and textiles, China is moving beyond Barbie dolls and silk ties to televisions, washing machines and even computers.

With eyes not only on the domestic market but also on possible exports, high-technology multinational companies — including Applied Materials Inc., Intel Corp. and Hewlett-Packard Co. — have set up shop in China. Home-grown Chinese companies such as Legend Computers are exporting to the United States, eating into the Asian market shares of U.S. computer makers and driving down prices in the Chinese market.

In Wuxi, local leaders have carved up 230 hectares (570 acres) of rice paddies and turned it over to a Singapore-based management company that is trying to create a slice of Silicon Valley on this flat, humid plain two hours' drive from Shanghai.

It has built its own power plant, drinking-water system, playgrounds, school, villas and golf driving range alongside two major highways in hope of luring companies. Seagate Technology Inc., which makes disk drives for computers, has invested here, as have Matsushita Refrigeration Co. and the German industrial giant Siemens AG.

In a drive to duplicate the success of other Asian economies, China's political leaders are striving to promote the country's technological advances. But unlike postwar Japan, which went from making handicrafts to cameras to televisions to automobiles, the Chinese government wants to do everything at once.

In an effort to take a technological great leap forward, Beijing has launched "Project 909," a multibillion-dollar plan to boost Chinese semiconductor production. Last month, NEC Corp. of Japan agreed to invest $1.2 billion in a joint venture with a

See HIGH TECH, Page 13

Airbus Flies At Boeing's Monopoly

Consortium Plans Larger Long-Haul Jet To Compete With 747

By Barry James
International Herald Tribune

PARIS — The European Airbus consortium said Sunday it intended to challenge Boeing Co.'s monopoly on aircraft larger than 350 seats by stretching its four-engine A340 model to carry as many as 378 passengers on long-haul routes.

The president of Airbus Industrie, Jean Pierson, said at the Paris Air Show at Le Bourget that the four-nation partnership was in final negotiations with a number of airlines and hoped to start the project in September.

The aircraft, the A340-600, is designed to replace earlier model Boeing 747s as they reach the end of their operational lives while offering significantly improved fuel costs and efficiency.

Mr. Pierson said Airbus was continuing with its project to build a superjumbo, the A3XX, capable of carrying at least 550 passengers. He said, however, that the consortium had to proceed cautiously on a project that could cost more than $9 billion and produce a type of aircraft that would probably still be flying when Airbus celebrates its centenary. Airbus plans to make its final decision on the project in 1998 and to deliver the first planes early in the next decade.

Although it is flush with orders, Airbus's prospects have been clouded by uncertainties over its future corporate status and by Boeing's planned takeover of McDonnell Douglas Corp. By signing three of the world's five largest airlines — all of them McDonnell Douglas customers — to 20-year exclusive deals, Boeing has made it "more difficult if not impossible" to make a profit on new programs, Mr. Pierson said.

The $2.5 billion A340-600 project is designed to break Boeing's stranglehold on a highly profitable market sec-

See JUMBO, Page 13

Conspiracy Theory Lingers After Bomber's Sentencing

Did Others Take Part in Oklahoma Attack?

By Jo Thomas
New York Times Service

DENVER — Even amid all the talk that the conviction and death sentence of Timothy McVeigh in the Oklahoma City bombing have achieved some measure of "closure" for victims, their traumatized families and an outraged American public, the questions remain.

They linger even after seven weeks of trial, dozens of witnesses and hundreds of pounds of physical evidence, all of which added up to an overwhelming case against Mr. McVeigh.

Did anyone help him assemble the materials for the huge bomb that took 168 lives? Did anyone help him build it, and, if so, where did they do it? If there was an even broader conspiracy, who was involved?

NEWS ANALYSIS

In deciding Friday that Mr. McVeigh should die, the U.S. District Court jury did not heed the plea of his lawyer, Stephen Jones, that the execution of Mr. McVeigh might somehow prevent the full truth about the Oklahoma City blast from ever being known.

In veiled language, Mr. Jones hinted at a broader plot that Mr. McVeigh would not disclose and, because he is Mr. McVeigh's lawyer, he himself could not disclose. "You may well consider," he told them, "that two people share a terrible secret. One of them will not tell you and the other one cannot by his oath of office, but the one that can, may.

"The chapter — the book of the Oklahoma City bombing — is not closed. Do not close it. Do not permit others to close it. Let there be a full accounting, not a partial accounting."

Mr. Jones, who was effectively barred from building his defense around what many regarded as far-flung worldwide conspiracy theories, had an opportunity to advance this notion after the jury gave his client the death penalty, saying in one television interview that "there is a growing amount of evidence that they, like the government, would want Mr. McVeigh executed."

Such comments by Mr. Jones are likely to fuel the most extreme conspiracy theories, already making their way on the Internet and far-right talk shows on short-wave radio. One theory says the government itself was involved and used Mr. McVeigh as a fall guy.

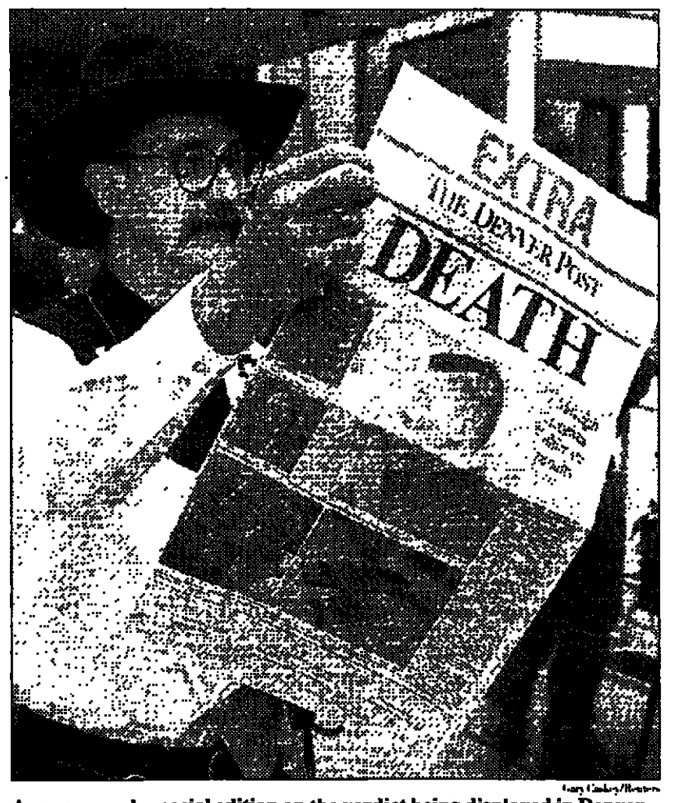
In the sentencing phase of the case, Joseph Hartzler, the lead prosecutor, responded to Mr. Jones's pleas by urging the jurors not to base their decision on what Mr. McVeigh might decide to say someday. "All indications from what you've seen through this process is we're never going to hear from him," Mr. Hartzler said. "Forget about that."

But investigators have never officially ruled out the possibility that others were involved, and almost from the beginning there has been a deep debate within the U.S. Justice Department over whether Mr. McVeigh acted alone, driven by his hatred of the government, or had co-conspirators in the shadowy underworld of the extreme right.

Indeed, the original indictment against Mr. McVeigh and another defendant, Terry Nichols, charged that they conspired with "others unknown."

Still, there is no active investigation of the bombing, though Justice Department officials have said they have increased their ability to examine the far-right groups and are willing to pursue

See VERDICT, Page 9



Gary Cameron/Reuters

A newspaper's special edition on the verdict being displayed in Denver.

AGENDA

Tudjman Is Favorite as Croatia Votes

ZAGREB, Croatia (Reuters) — Croatia voted Sunday for president, but the only real question was how large Franjo Tudjman's margin would be.

President Tudjman, 75, was expected to win a second five-year term easily. He ran a vigorous campaign despite medical reports that he has stomach cancer. Voting ended at 7 P.M. Final results will not be known until Monday or Tuesday.

Mr. Tudjman, who led Croatia to independence in 1991, told reporters as he voted that the country would be "rich and democratic" if he won.

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France	10.00 FF	Saudi Arabia	10.00 R.
Gabon	1100 CFA	Senegal	1,100 CFA
Italy	2,600 Lire	Spain	225 PTAS
Ivory Coast	1,250 CFA	Tunisia	1,250 Din
Jordan	1,250 JD	U.A.E.	10.00 Dirh
Kuwait	700 Fils	U.S. Mil. (Eur.)	$1.20

Bucking Public and Courts, Clinton Calls for Affirmative Action

By Joan Biskupic
Washington Post Service

WASHINGTON — In making a call over the weekend for a renewal of affirmative-action programs at America's universities, President Bill Clinton is bucking public opposition to such policies and increased skepticism in the nation's courts.

A recent poll showed that only one in six whites but nearly half of all blacks believed that minorities should receive preference in college admissions. And the Supreme Court has said that race should not be considered, either positively or negatively, and that people are "more than mere racial statistics."

NEWS ANALYSIS

What this means is that Mr. Clinton — as he tries to make improved race relations a national goal and a personal legacy — must deal somehow with both resistance by whites and by judges who believe the constitution does not allow government to categorize people by race, even to benefit those who have long been disadvantaged.

With many in America appearing to think it is time to put race aside and stop seeking remedies for past segregation, the president will have to demonstrate why special attention for blacks, Hispanics and other minorities is necessary to breach the racial divide.

The Supreme Court has said that race-based policies generally "reinforce the belief, held by too many for too much of our history, that individuals should be judged by the color of their skin."

In a speech Saturday at the University of California in San Diego, Mr. Clinton told graduates that they should engage in "a candid conversation on the state of race relations today" to prepare for the day when the United States will have no single racial or ethnic majority.

"If, 10 years from now, people can look back

See CLINTON, Page 9

Fascination With Aliens / **50 Years After Roswell**

UFOs: Believing Without Seeing

By Amy Harmon
New York Times Service

ROSWELL, New Mexico — Squint hard enough against the bright desert sun, true believers say, and you cannot help but make it out — the burn where the spaceship crashed against the red-streaked rock, the dent like a giant heel print that it left in the bluff, the protrusion off to the right where military policemen found the alien holding a small black box on that fateful July morning in 1947.

Hub Corn, whose sheep ranch happens to contain the site of the most momentous event in the hazy history of flying saucers, charges $15 for a viewing. But he doesn't give his visitors the hard sell. He doesn't have to.

"When I first started doing this, I was afraid in my own mind that people weren't really getting what they wanted," Mr. Corn said. "I felt like everybody that come out would want to see a spacecraft, or at least some material. But people seem happy just to be here. They seem happy to believe."

Or at least willing to believe. Fifty years after what has become known in ufology circles as the "Roswell Incident," America's fascination with unidentified flying objects has never been more intense, or as widespread.

More than 100,000 sky watchers and conspiracy enthusiasts are expected to attend the golden anniversary celebration here during the first week of July, according to event organizers. Festivities will include an all-night "rave" dance party at the Corn ranch and a soapbox derby-style race of homemade alien vehicles.

Such summer merriment in the desert, where temperatures can rise to 110 degrees Fahrenheit (43 degrees centigrade), is testament to the emergence of a mainstream belief in UFOs. A recent Gallup poll found that 42 percent of American college graduates believe that flying saucers have visited Earth in some form.

Thousands of Americans have reported being abducted by aliens in recent years. And John Mack, a psychiatry professor at Harvard Medical School who was subjected to a harsh review by the school in 1995 after publishing his view that many of these reports are true, is gaining adherents and will be a keynote speaker at the Roswell weekend.

Attribute it to concern over the approaching millennium or anxiety over technology that advances faster than a layman can understand. Chalk it up to the public's suspicion of official Washington.

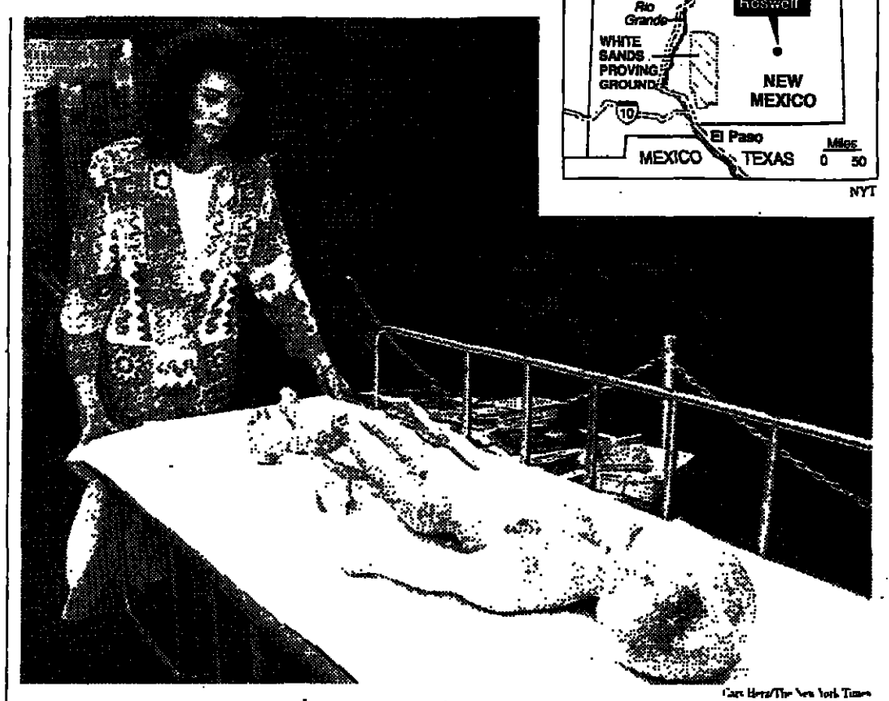
Whatever the causes, the long-held tenets of the flying saucer buffs — aliens are visiting us, and the government knows it and is covering it up — now permeate the public consciousness and popular culture.

The hit television series "The X-Files" features two agents of the FBI looking into just such a cover-up.

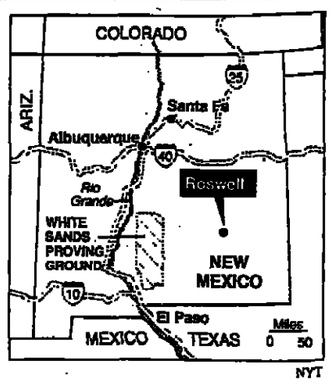
"There are millions of Americans who probably know more about aliens than they do about thermodynamics," said Benson Saler, an anthropology professor at Brandeis University and co-author, with Charles Ziegler, of "UFO Crash at Roswell."

Mr. Saler sums up the common wisdom this way: "We know what they look like — they're tall and slender with huge heads and almond eyes. And the hope is that these beings with superior technology will enter into communion with us and help solve our problems."

The book maintains that the Roswell story has all the elements of a modern myth, serving as an expression of anti-government sentiment and the age-old yearning to believe we are not alone in the universe.



Cary Herz/The New York Times



Deon Crosby, director of the UFO Museum and Research Center in Roswell, presenting a life-size model of an alien that is said to have been found at the crash site in 1947.

Scientists and skeptics have warned that the embrace of pseudoscientific ideas like alien visitation and abduction threatens to undermine the critical thinking by an educated public that a democratic society requires.

Critics point to the recent suicide of 39 members of the Heaven's Gate cult, who believed a spaceship traveling behind a comet would carry them to the "next level," as a tragic result of the blurring of science and science fiction.

But it may be hard to dispel the popular belief in superior technological beings, whose very existence is beyond the means of scientists to verify or debunk.

LIKE most legends, the Roswell tale traces its genesis to a real event. In early July 1947, a ranch foreman, W.W. Brazel, found strange, shiny material littering the ground near Roswell, in southeastern New Mexico. He turned the material over to the sheriff, who gave it to the military authorities at the air base here.

On July 8 of that year, the army air forces issued a news release about the landing of a "flying disk." This resulted in a headline in the local newspaper, The Roswell Daily Record, that said, "RAAF Captures Flying Saucer on Ranch in Roswell Region."

Military officials recanted the next day, calling the curious debris merely a downed weather balloon. With that, the matter was largely forgotten until the early 1980s, when the first of more than a dozen books on the subject was published.

These versions of the Roswell story variously held that Mr. Brazel, who by then had died, was harassed into abetting what was said to be a government cover-up; that the crippled craft crashed on what is now Mr. Corn's land, and that the military retrieved three to five alien bodies, which may now be stored in another stronghold of UFO lore, the Area 51 military installation in Nevada.

In 1994, aiming to defuse speculation about what happened at Roswell, the air force issued a 1,000-page report disclosing that what it had claimed was a weather balloon was in fact a classified experiment designed to detect nuclear tests conducted by the Soviet Union.

BUT for a suspicious populace — 71 percent of Americans polled by Gallup say they believe the government knows more about UFOs than it lets on — the air force report did little to deter the cover-up theorists.

The most persuasive evidence for many museum visitors are the statements in books and videos of Roswell residents and retired military employees who say they took part in the events as they unfolded.

In a recently released book, "The Day After Roswell," Philip Corso, who served on the National Security Council under President Dwight Eisenhower, contends that he personally directed an army project that transferred to the military technology recovered from the alien ship that crashed.

The nation's interest in UFOs began at the dawn of the atomic age, when fears over the Cold War and anxieties about new doomsday technologies coincided with thousands of reported sightings in the years that followed the Roswell incident.

"What's happening is science and technology have accelerated to a point where they may be beyond our ability to comprehend," said Chris Carter, creator of "The X-Files." "We need mysteries, we need stories, we need something beyond the temporal."

Of course, many of those publicizing and perpetuating the Roswell myth are also making money from it. Motel owners say about one-fourth of their reservations are alien-related.

"Do I believe it?" said New Mexico's tourism secretary, John Garcia. "Sure I believe it — all the way to the bank."

Cohen Presses Saudis On Bomb Investigation

Riyadh Vows 'Full Cooperation' With FBI

Compiled by Our Staff From Dispatches

JIDDA — The U.S. defense secretary, William Cohen, pressed Saudi Arabian leaders on Sunday to provide more information to the FBI in the investigation of a terrorist bombing in Saudi Arabia last June that killed 19 U.S. troops.

After a meeting in Jidda with Crown Prince Abdullah ibn Abdulaziz and the Saudi defense minister, Prince Sultan ibn Abdulaziz, Mr. Cohen said Prince Abdullah had promised that "full cooperation would be given" in the incomplete Saudi bombing investigation.

The FBI has complained about a lack of Saudi help in investigating the truck bomb blast at Khobar Towers military housing complex in Dhahran last June 25.

No one has been found responsible for the attack, and it has not been determined whether an outside country sponsored it.

"I don't have the specifics of what the FBI needs," Mr. Cohen said aboard his aircraft en route to Kuwait from Jidda on the second leg of a Gulf visit. "But I just indicated that they felt that they needed more information."

Mr. Cohen was to meet with the Kuwaiti defense minister later Sunday evening and the emir Monday morning. He is also traveling to Bahrain, the United Arab Emirates and Oman.

Mr. Cohen said he discussed with Saudi leaders the U.S. policy of dual containment of Iran and Iraq, and was assured by the crown prince that it remained the policy of Saudi Arabia as well. *(Reuters, AFP)*

■ U.S.-Iran Ties Could Improve

Philip Shenon of The New York Times reported earlier:

Mr. Cohen said the United States was "skeptical but hopeful" about the prospect of improved relations with Iran as a result of last month's landslide election of a relatively moderate cleric as Iran's president.

But he said that efforts by the United States to isolate Iran diplomatically and economically would not end until there was "demonstrable evidence that there has been a change" in Iran's policy of supporting terrorist groups.

"We need to see some signs on the part of the Iranians that this does in fact mark a change," Mr. Cohen said aboard an air force jet en route to Jidda.

"As long as they continue to support terrorism, as long as they continue to develop weapons of mass destruction, as long as they try to upset the Middle East peace process, then our policy is not going to change," he said of the Iranians. "There's hopefulness that this recent election represents a change, but we'll have to wait and see."

Despite suggestions from U.S. and Saudi intelligence officials that Iran was tied to the terrorist bombing in Saudi Arabia last year that killed 19 American airmen, Mr. Cohen said: "So far, the evidence is still inconclusive. The investigation continues, and we're not going to make any prejudgment on that."

The United States is under pressure from some of its European and Middle Eastern allies to consider changing its policy toward Iran as a result of the election of the new president, Mohammed Khatami, a former culture minister who won support from many Iranian women and young adults seeking an end to the government's strict social controls.

Mr. Cohen said he saw nothing wrong — and perhaps some good — in recent moves by some moderate Arab nations to open new lines of communication with Iran. "To the extent that they carry out dialogue, that they can get information that would be helpful in determining whether there's been a change in policy on the part of the Iranians, I think that's helpful," he said.

He said, however, that he saw no sign of a change in attitude among Saudi leaders toward Iran.

"I'm satisfied that Saudi Arabia remains very solid in its opposition to the policies that Iran has conducted over the years," he said. "They have strongly supported our containment policy of both Iraq and Iran."

Brazzaville Peace Parley Is Set

Envoys Go to Gabon as French Wrap Up Evacuations

Compiled by Our Staff From Dispatches

BRAZZAVILLE, Congo Republic — France wrapped up its airlift of foreign nationals from the embattled Congo Republic capital on Sunday after new shooting around the international airport, and prepared pull out its troops.

Two evacuation flights left Sunday after supporters of the former military leader, Denis Sassou-Nguesso, shelled government loyalists at the airport, following two days of relative calm.

Envoys of President Pascal Lissouba and General Sassou-Nguesso, his predecessor, a former Marxist military leader, took advantage of the same lull in firing and left for peace talks in Gabon, traveling on the same plane.

The 1,250 French troops are due to withdraw over the next few days, despite appeals from both warring factions to remain as a buffer force.

The fighting started June 5 after the army surrounded General Sassou-Nguesso's home as part of a crackdown on private militias and unauthorized weapons in the run-up to a July 27 election in the former French colony.

Militia loyal to General Sassou-Nguesso advanced on the airport Sunday and bombarded troops loyal to Mr. Lissouba from 2 A.M. until midday.

The barrage followed two days of relative calm and diplomatic efforts to end more than a week of ethnic and political killing. The two sides declared a truce on Wednesday.

Mr. Lissouba, interviewed by Radio France International on Sunday, called for the election to take place as planned and repeated a call for an African peace force to oversee polling. "These elections must take place," he said. "Democracy cannot be negotiated."

General Sassou-Nguesso did not rule out the idea. "The international community must organize the elections, check them and ensure security," he said on the same radio station.

France has evacuated almost 5,000 foreign nationals, about a third of them French. *(Reuters, AFP)*

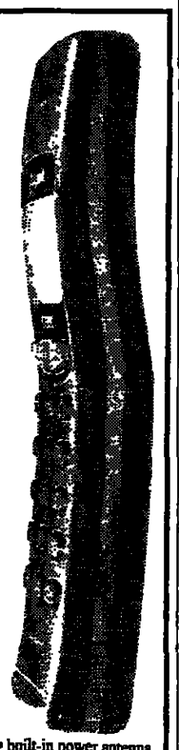
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TRAVEL UPDATE

Chunnel Reopens to Rail Freight

LONDON (AFP) — Freight-train traffic resumed through the Channel tunnel Sunday for the first time since a devastating fire last November, the tunnel operator Eurotunnel said.

Several truck drivers were treated for smoke inhalation after a fire broke out Nov. 18, 1996, on a freight shuttle train in the tunnel. The blaze severely damaged more than 600 yards (550 meters) of tunnel, and repairs were only completed last month. Although passenger service quickly restarted after the blaze, the freight shuttle service was suspended.

Tate Gallery Is Evacuated After Fire

LONDON (AFP) — An electrical fire under the Tate Gallery led to the evacuation of the popular museum and forced the gallery's staff to remove about 40 works of art.

There were no casualties or damage, and the fire, which broke out in an electrical cable under one of the exhibition halls of the gallery Saturday, was quickly extinguished. The museum reopened Sunday.

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This Week's Holidays

Banking and government offices will be closed or services curtailed in the following countries and their dependencies this week because of national and religious holidays:

MONDAY: Argentina, Bermuda, Cayman Islands, Cyprus, Gibraltar, Greece, South Africa, Ukraine.
TUESDAY: Iceland.
WEDNESDAY: Seychelles.
THURSDAY: Algeria, Trinidad, Uruguay.
FRIDAY: Finland, Sri Lanka, Sweden.
SATURDAY: Sweden, Togo.
Sources: J.P. Morgan, Reuters, Bloomberg

400 Flee Indonesian Volcano

Agence France-Presse

JAKARTA — About 400 people have been evacuated from the slopes of Mount Karangetang on the northern Indonesian island of Siau. The 1,785 meter (5,900 foot) volcano's eruption has killed three people, reports said.

WEATHER

Europe

	Today High	Today Low/W	Tomorrow High	Tomorrow Low/W
	C/F	C/F	C/F	C/F
Algarve	24/75	16/61 pc	26/79	17/62 s
Amsterdam	19/66	11/52 c	19/66	11/52 sh
Ankara	23/73	7/44 c	25/77	10/50 c
Athens	30/86	24/75 pc	33/91	23/73 pc
Barcelona	27/80	17/62 pc	28/79	18/64 sh
Belgrade	31/88	18/64 pc	32/89	20/68 pc
Berlin	24/75	13/55 pc	24/75	16/61 pc
Brussels	18/64	11/52 sh	21/70	11/52 sh
Budapest	30/86	19/66 pc	29/84	18/64 sh
Copenhagen	23/73	14/57 r	22/71	13/55 pc
Costa Del Sol	28/82	18/64 pc	29/84	19/66 pc
Dublin	13/55	7/44 c	14/57	7/44 pc
Edinburgh	13/55	6/41 c	13/55	4/39 c
Florence	31/88	17/62 pc	30/86	18/64 s
Frankfurt	28/82	16/61 r	26/79	16/61 pc
Geneva	19/66	11/52 r	25/77	14/57 pc
Helsinki	23/73	14/57 r	24/75	14/57 r
Istanbul	28/82	18/64 pc	28/82	19/66 pc
Kiev	28/82	17/62 pc	28/82	18/64 pc
Las Palmas	26/79	21/70 pc	25/77	20/68 pc
Lisbon	23/73	15/59 pc	23/73	15/59 pc
London	20/68	12/53 pc	19/66	11/52 pc
Madrid	29/84	13/55 pc	28/82	13/55 pc
Mallorca	25/77	16/61 pc	21/70	13/55 c
Milan	30/86	16/61 c	28/82	19/66 s
Moscow	28/82	18/64 pc	29/84	19/66 pc
Munich	25/77	12/53 pc	22/71	12/53 c
Nice	27/80	17/62 pc	26/79	19/66 s
Oslo	24/75	14/57 sh	23/73	13/55 r
Paris	22/71	12/53 pc	20/68	11/52 pc
Prague	25/77	14/57 pc	23/73	11/52 s
Reykjavik	10/50	5/41 s	9/48	4/39 pc
Riga	24/75	15/59 pc	26/79	16/61 s
Rome	31/88	21/70 pc	31/88	22/71 pc
St. Petersburg	24/75	16/61 c	24/75	17/62 c
Stockholm	21/70	14/57 r	23/73	14/57 pc
Strasbourg	23/73	10/50 s	21/70	12/53 pc
Tallinn	22/71	15/59 sh	23/73	14/57 pc
Tbilisi	27/80	19/61 c	27/80	19/61 c
Venice	29/84	18/66 pc	27/80	19/66 s
Vienna	26/79	17/62 pc	28/82	19/66 pc
Warsaw	27/80	15/59 pc	26/79	18/61 pc
Zurich	22/71	11/52 sh	20/68	13/55 pc

Middle East

Abu Dhabi	39/102	26/79 s	39/100	23/73 r
Beirut	21/70	16/61 pc	24/75	19/66 pc
Cairo	34/93	20/68 s	34/93	21/70 pc
Damascus	26/79	12/53 s	24/75	14/57 s
Jerusalem	24/75	12/53 s	26/79	14/57 pc
Luxor	39/102	18/64 s	39/102	22/71 s
Riyadh	42/107	27/80 s	42/107	28/82 s

Forecast for Tuesday through Thursday, as provided by AccuWeather.



North America
Unsettled in the Northeast Tuesday to Thursday with scattered showers and thunderstorms; some heavy downpours are likely from Tennessee to New York. Dry, warm weather will spread from the Southwest into the northern Plains, but thunderstorms will break out in the northern Rockies.

Europe
Dry with some sunshine in London Tuesday, but a storm will bring soaking rains to the British Isles Wednesday and Thursday. Warm with some sunshine from Italy to Greece, but Scandinavia will be cool with showers. Sunny and nice in France and Germany through Thursday.

Asia
Humid with showers and thunderstorms in Japan Tuesday to Thursday. Sunny and hot in Beijing Tuesday, then thunderstorms followed by cooler weather into Thursday. Very warm in Seoul, but thunderstorms are likely Thursday. Sunny and hot in Delhi, but rainy farther south.

North America

	Today High	Today Low/W	Tomorrow High	Tomorrow Low/W
	C/F	C/F	C/F	C/F
Anchorage	14/57	8/46 sh	14/57	7/44 sh
Atlanta	29/84	19/66 t	30/86	19/66 t
Boston	28/82	13/55 s	21/70	12/53 pc
Chicago	26/79	11/52 s	24/75	12/53 pc
Dallas	36/97	24/75 s	36/97	22/71 pc
Denver	24/75	11/52 t	24/75	9/48 t
Detroit	24/75	10/50 s	22/71	11/52 pc
Honolulu	30/86	22/71 pc	32/89	24/75 pc
Houston	34/93	24/75 t	34/93	24/75 pc
Los Angeles	23/73	14/57 pc	28/79	16/68 pc
Miami	32/89	24/75 pc	32/89	24/75 t
Minneapolis	26/79	14/57 s	23/73	12/53 pc
Montreal	18/64	6/43 pc	17/62	7/44 c
Nassau	31/88	23/73 pc	31/88	23/73 pc
New York	29/84	14/57 pc	24/75	14/57 pc
Orlando	32/89	23/73 pc	32/89	23/73 pc
Phoenix	34/93	19/66 s	34/93	20/68 s
San Fran.	23/73	13/55 c	23/73	14/57 pc
Seattle	24/75	14/57 s	26/79	14/57 pc
Toronto	19/66	4/39 c	18/64	7/44 pc
Vancouver	22/71	10/61 s	23/73	10/61 pc
Washington	29/82	14/57 t	29/79	16/61 pc

Legend: s-sunny, pc-partly cloudy, c-cloudy, sh-showers, t-thunderstorms, r-rain, sf-snow flurries, sn-snow, i-ice, W-Weather. All maps, forecasts and data provided by AccuWeather, Inc. © 1997

Asia

	Today High	Today Low/W	Tomorrow High	Tomorrow Low/W
	C/F	C/F	C/F	C/F
Almaty	32/89	15/59 s	32/89	17/62 s
Bali	32/89	21/70 s	32/89	21/70 s
Bangkok	33/91	24/75 pc	32/89	25/77 pc
Beijing	36/97	21/70 s	32/89	22/71 s
Bombay	33/91	27/80 pc	32/89	26/79 c
Calcutta	34/93	24/75 pc	35/95	26/79 pc
Chiang Mai	34/93	23/73 pc	33/91	22/71 pc
Colombo	30/86	24/75 pc	29/84	24/75 pc
Hanoi	29/84	24/75 r	30/86	24/75 sh
Ho Chi Minh	32/89	23/73 pc	32/89	24/75 pc
Hong Kong	28/82	24/75 r	27/80	23/73 pc
Islamabad	41/106	22/71 s	41/106	22/71 s
Jakarta	30/86	23/73 pc	29/84	23/73 pc
Karachi	34/93	25/77 s	34/93	26/79 s
K. Lumpur	31/88	22/71 pc	31/88	23/73 c
K. Kinabalu	31/88	19/66 pc	30/86	21/70 pc
Manila	32/89	23/73 pc	31/88	24/75 pc
New Delhi	43/109	29/82 s	38/100	27/80 sh
Phnom Penh	32/89	23/73 pc	32/89	23/73 pc
Phuket	33/91	24/75 pc	32/89	25/77 pc
Rangoon	33/91	24/75 pc	32/89	24/75 pc
Seoul	30/86	18/64 s	28/82	19/66 pc
Shanghai	24/75	17/62 pc	23/73	17/62 pc
Singapore	31/88	21/70 pc	31/88	22/71 pc
Taipei	27/80	20/68 pc	28/82	22/71 c
Tokyo	24/75	19/66 pc	25/77	22/71 s
Vientiane	30/86	25/77 r	29/84	24/75 sh

Africa

Algiers	31/88	18/64 s	32/89	19/66 pc
Cape Town	16/61	8/46 pc	17/62	6/43 pc
Casablanca	23/73	16/61 pc	24/75	15/59 pc
Harare	27/80	14/57 c	28/82	14/57 pc
Lagos	28/84	22/71 r	28/82	23/73 c
Nairobi	26/79	12/53 pc	25/77	13/55 pc
Tunis	37/98	22/71 s	32/89	23/71 pc

Latin America

Buenos Aires	14/57	6/43 pc	14/57	6/43 pc
Caracas	30/86	24/75 pc	31/88	24/75 pc
Lima	21/70	17/62 s	22/71	18/64 pc
Mexico City	26/79	13/55 c	26/79	14/57 pc
Rio de Janeiro	24/75	18/64 pc	25/77	18/64 pc
Santiago	13/55	5/41 c	15/59	5/41 pc

Oceania

Auckland	15/59	9/48 pc	14/57	10/50 pc
Sydney	19/66	7/44 s	15/59	8/46 pc

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'Close-Knit' McVeigh Jury Battled to Control Emotions

By Adam Nossiter
New York Times Service

LOVELAND, Colorado — A struggle went on inside the jury room in the hours and days leading up to Timothy McVeigh's conviction and death sentence. But the conflict was not between or among jurors.

Instead, it was a battle between the raw emotion they felt over the testimony about the carnage caused by the bombing in Oklahoma City on April 19, 1995 — emotion that spilled over into frequent tears for some — and stern judicial injunctions to keep sentiment and reasoning strictly separate.

This common internal conflict bound them together, several jurors suggested in interviews Saturday, as did a shared bafflement at the mystery of Mr. McVeigh, 29, and his murderous act.

The result, the jurors suggested, was an unusual degree of closeness throughout the deliberations and a final decision that was wrenching but hardly contentious. From the start, they said, there was little dissension on the central questions of guilt and punishment.

"We were a very close-knit group," said Vera Chubb, 65, sitting in her living room in this pleasant lake-front city 50 miles (80 kilometers) north of Denver.

"From Day 1, our personalities were very close," she said. "We meshed well together. If we had questions, we could always sit down and talk it out."

Another juror, Fred Clarke, 42, a retired Air Force veteran and computer programmer, said, "It was not tense by any stretch of the imagination."

A third juror, Tonya Stedman, 24, a waitress, connected the tension inside the room to the emotional impact of the testimony but agreed on the essential unity of the jurors.

"Tension, yes, emotion, yes, but I think we were very unified in the sense that we worked well together and we appreciated everyone's opinion, and we agreed to disagree at times," Ms. Stedman said in an interview outside her Denver home.

There were plenty of surface differences among the jurors: one was a "Deadhead," an ardent fan of the rock group the Grateful Dead; others were straight-arrow military veterans or offspring of veterans, and one professed himself to be an enthusiast for Rush Limbaugh, the conservative radio talk-show host.

But even before the five women and seven men began their deliberations, a number of elements appeared to bind them together.

Most seemed to pay close attention throughout the weeks of testimony.

All expressed varying degrees of willingness to impose the death penalty. Most expressed a lack of interest in, or disdain for, the news media.

These ties served them well once the deliberations began.

The jurors also seemed to share a sense that a terrible mystery lay at the heart of the case, even as they methodically reviewed, day by day, year by year, the events of the defendant's life.

"We all sat there and tried to figure out why a young man would do this," Mrs. Chubb said, shaking her head slowly. "I'd like to know what really got him started this way. It's just a mystery.

"A lot of us said, we just don't understand," she added. "He planned this for almost two years. He could have stopped at any time along the way."

For the jurors, horror at the crime that had been so intricately laid out for them was mixed with the knowledge of the wrenching decision they would have to make at the end.

"Yes, emotions in deliberations," Ms. Stedman said. "To say no would be ridiculous. We're talking of convicting a man of guilt for a huge crime" and deciding whether to apply the death sentence.

There were times, Mrs. Chubb said, when the effect of the day's testimony was overwhelming. "Some days, you would come home and think, I'm all right, then for some strange reason, tears would come to your eyes."

Mr. Clarke said he was conscious of the need to keep feeling and analysis apart.

"I might have shed a tear or two during the victims' testimony, but nothing I needed a tissue for," he said. "My job was just to sit there and listen, not to get emotional but to listen and assimilate the information. I equate it to putting together a puzzle."

When the time came for the final decision about Mr. McVeigh's fate, the jurors became especially methodical, Mrs. Chubb said.

"We said, this is a young man's life," she said. "We have got to give it every thought, every prayer. Everything we could think of, we went over.

"You know what a terrible thing he did. But when you have never had to do it," she said, referring to imposing the death sentence, "it weighs a little heavy."

Finally, after lunch on Friday, the decision was made, and the final vote taken. The room was quiet, Mrs. Chubb said, "very quiet."

The jurors sat in silence for a moment. But they had made each other a promise, she said: "We all said, when they ask you, you will look him straight in the eye and say, 'Death.'"

AMERICAN TOPICS

Internet as Rumor Mill: How Much Can You Trust?

Among the uses for which the Internet seems particularly well suited is the spreading of rumors — many of them baseless, even utterly ridiculous, but some with the grain of truth needed to provide plausibility. These take on a life of their own as they fly straight-faced through the electronic ether.

Terry Chan, 34, an economist in Berkeley, California, decided to try to slow the rumor mill. He has compiled a list of Internet rumors, checked them out and ranked them on a scale from "100 percent scientific truth" to "100 percent falsehood." Here's a sampling, quoted in The Seattle Times:

A penny falling from the height of the Empire State Building will imbed itself in the pavement. Eelskin wallets demagnetize bank cards. Bubbles in bubble wrap contain toxic gas. A shuttle crew did secret experiments on how to make love in zero gravity. Earlobe repair is a booming business for New York physicians because thieves rip earrings from women.

A person was crushed to death trying to shrink blue jeans by wearing them in a tub. Green M&Ms are an aphrodisiac. A photo in a Sears catalogue for shorts showed a model's male appendage. Some combinations of metal tooth fillings can receive radio signals.

Which of the above are true? Only the tooth-radio rumor. The model's "appendage," Mr. Chan found, was actually a drawstring.

Short Takes

Blacksmiths, once a steadfast symbol of village life, are making a comeback. Two decades ago, only 100 smiths were still at work. Now there are about 3,000, many with more work than they can handle. Big interior-design stores such as Pottery Barn and Crate & Barrel sell handwrought curtain rods and headboards. Instead of just shoeing horses, smiths are making everything from chandeliers to coffee tables, the Los Angeles Times reports. The Artist-Blacksmiths Association of North America, founded in 1973, has 13,000 members, most of them hobbyists.

American bison, nearly eradicated in the late 1800s, have also made an impressive comeback. Their herds once covered vast regions of the country. But thousands of hunters — encouraged by a government policy that said the best way to "civilize" the Indians was to exterminate the bison, on which the natives relied for food, fuel, clothing and more — killed some 50 million Plains bison by 1900, leaving only a few hundred alive. Over the last 20 years, however, with bison protected, their growth has been explosive. An estimated 175,000 now thrive in North America.

It was 60 years ago that the first automatic washing machine — one that could wash, rinse and extract water from clothes — was introduced. The new machines freed women, and some men, to spend more time with families and pursue other activities. Yet, after all this time, the laundry remains a chore that few women escape. In 93 percent of American families today, the woman tends to the laundry.

Brian Knowlton



Jeff Christensen/Reuters

CAKE WALK — New York Harbor celebrated Flag Day with an 88-foot by 62-foot, 3-ton cake.

Critical Report on Gulf Illness

Evidence Is Said to Link Chemical Arms to Troops' Complaints

By Philip Shenon
New York Times Service

NEW YORK — A government report has harshly criticized the Pentagon and a special White House panel over their investigation of the illnesses reported by veterans of the 1991 Gulf War and has found that there is "substantial evidence" linking nerve gas and other chemical weapons to the sorts of health problems seen among the veterans.

The report, by the General Accounting Office, the investigative arm of Congress, says that the Defense Department should also not rule out the possibility that Iraqi biological weapons, especially aflatoxin, a group of potent liver carcinogens, might be responsible for some ailments reported by the estimated 80,000 Gulf War veterans who have sought special medical checkups from the government.

It also criticized the Pentagon for trying to discount another potential risk, a tropical disease spread by parasites that produces symptoms that might not surface for years, and questioned whether pesticides had contributed to the health problems.

The report, scheduled for release later this month, is certain to alarm veterans who have worried that they were made ill by exposure to Iraqi chemical or biological weapons during the war.

A draft of the report, which is being prepared for the Senate Armed Services Committee and the House National Security Committee, was provided to The New York Times by an official who has been critical of the Pentagon's response to the illnesses of the veterans.

The Pentagon and the White House panel, the Presidential Advisory Committee on Gulf War Veterans' Illnesses, had both concluded that Iraqi chemical and biological weapons were probably not responsible for the veterans' health problems, a view shared by a number of prominent scientists. The Pentagon and the White House panel also suggested that the physical aftereffects of wartime stress were a more likely cause of the ailments.

But those findings were challenged in the General Accounting Office report, which said, "The link between stress and these veterans' physical symptoms is not well established, and the reported prevalence of post-traumatic stress disorder among Gulf War veterans may be overestimated."

It said Pentagon officials and the White House panel were also wrong to rule out the nerve gas sarin and other chemical weapons as a cause of the health problems, because "there is substantial evidence that such compounds are associated with delayed or long-term health effects similar to those experienced by Gulf War veterans."

Last year, the Pentagon announced that more than 20,000 U.S. troops might have been exposed to sarin as a result of the March 1991 demolition of an Iraqi ammunition depot where tons of the nerve gas had been stored.

Spokesmen for the Pentagon and the presidential committee said that they would not comment on the General Accounting Office report until it was formally released.

Representative Christopher Shays, a Connecticut Republican who has been a leading critic of the Pentagon's handling of the issue, said he welcomed the report.

"It supports the idea that we should take the Gulf War research program away from the Pentagon and give it to someone who really wants to find some answers," he said.

Kwai Chan, director of special studies and evaluation for the General Accounting Office and the principal author of the report, said he could not discuss details of the findings until the report was made public by Congress, but he said he was "very confident" of its conclusions.

His team included several researchers with doctorates in science, he said, and they reviewed all major studies on the health problems associated with Gulf War veterans and interviewed researchers at the Pentagon and elsewhere in the government.

The report also raised the possibility that clouds of chemical weapons might have reached U.S. troops as a result of the aerial bombing of Iraqi chemical plants and storage depots early in the war.

Away From Politics

- **The army has shut down a special telephone line** that had received more than 1,300 sexual-harassment complaints since November, because army officials said anonymous callers were trying to use it to settle grudges. *(NYT)*
- **Three men have been convicted of stealing $13 million worth of missile launchers,** Jeeps and other goods in the largest known theft of equipment from a U.S. military base. Two other men were acquitted, in the trial, held in Madison, Wisconsin. *(AP)*
- **A judge in St. Joseph, Michigan, resigned** just hours after a newspaper obtained records showing he had dialed phone sex services 124 times from his courthouse phone. Hugh Black, a Berrien County District Court judge since 1973, said in a statement that he was quitting "due to continuing difficulties with my hearing." *(AP)*
- **A laid-off factory worker returned with a gun and shot a former co-worker to death,** wounded his former boss and killed himself. The gunman, Soon Byung Park, 36, pulled a pistol and began shooting during an argument Friday morning at the Yaanimax Inc.-U.S. Embroidery Co. plant in Santa Fe Springs, California, the police said. *(AP)*
- **Texas authorities are trying to determine** if a rare, fatal brain disorder linked to "mad cow" disease is claiming an unusually high number of victims in the state's northeast. Five cases of Creutzfeldt-Jakob disease have been identified in the region since April last year. *(AFP)*

POLITICAL NOTES

House Panel Passes Tax-Cut Bill

WASHINGTON — The House Ways and Means Committee has approved a Republican tax-cutting bill despite unanimous Democratic opposition, setting Congress on a collision course with the Clinton administration over how to divide the tax reductions agreed on in their balanced-budget plan.

While administration officials and some congressional Democrats held out hope that the Senate would adopt a plan more acceptable to the president when it takes up its version of the legislation this week, the bill being prepared by Senate tax writers closely tracks the House of Representatives' bill in many ways, increasing the odds that President Bill Clinton will veto the final version.

The failure of the House committee's chairman, Representative Bill Archer of Texas, to secure any Democratic support for his plan shows that the partisan wrangling that had dominated debates over taxes and spending for two years has returned.

Mr. Archer's plan, approved by a 22-to-16 vote, would reduce tax bills for investors and many families, provide some tax breaks for college expenses, reduce federal inheritance taxes and expand Individual Retirement Accounts. The measure calls for $135 billion in tax cuts over five years, offset in part by nearly $50 billion in new revenues, generated largely by expanding existing taxes on airline tickets and closing loopholes.

But the White House and Democrats on the committee attacked the plan as favoring the rich and as violating the budget deal by scaling back Mr. Clinton's proposed college tax breaks.

White House officials have avoided explicit veto threats, but Mr. Clinton repeated his criticism of Mr. Archer's bill, saying that among other problems, it "would penalize the working poor and especially working poor mothers." Michael McCurry, the White House spokesman, said Friday that Mr. Archer's legislation "is not the bill that will be signed into law." *(NYT)*



Danny Johnston/The Associated Press

LAST TERM — Senator Dale Bumpers, with his wife, Betty, announcing in Little Rock, Arkansas, that he will retire when his fourth term ends.

Gingrich Can Afford Penalty

WASHINGTON — Congress has released the financial disclosure statements of its members, drawing new attention to the House speaker, Newt Gingrich, whose book royalties more than doubled his income last year.

In the last two decades, members of Congress have been compelled to file broad financial-disclosure statements to show that they do not have financial holdings that pose a conflict of interest with their jobs.

The financial-disclosure statement filed by Mr. Gingrich showed that he probably had the wherewithal to abide by a major provision of the ethics judgment against him this year: that he use his own money to pay at least half of a $300,000 penalty for violating House rules.

Mr. Gingrich's earned income in 1996 was $356,609. His congressional salary was $171,500, while $185,109 came from other sources, largely from his best-selling book, "To Renew America." *(NYT)*

Move to Close U.S. Bases Fails

WASHINGTON — After a narrow defeat by the Senate Armed Services Committee in a closed-door vote, a group of senators pledged to push President Clinton's plan for more military base closings.

Efforts to get the committee to authorize two further rounds of base closings in 1999 and 2001 failed on a 9-to-9 vote, said Senator Carl Levin of Michigan, the committee's ranking Democrat.

The defense bill, approved last week by the committee, now goes to the Senate floor. The House already has completed action on its own version of the bill, which sets spending limits and policy for the Pentagon.

The Pentagon has closed or is preparing to close 97 major domestic bases by 2001. A few weeks ago, it said it would ask Congress to authorize two more rounds of base closings, beginning in 1999. The rationale is that post-Cold War troop levels have shrunk, so fewer bases are needed. *(AP)*

Quote/Unquote

Jannie Coverdale, who lost two grandsons in the Oklahoma City bombing, commenting after Timothy McVeigh was sentenced to death for his role in the attack: "This is not a time for celebration. A man's life is being taken from him. It's something that we wanted, and it's not done out of revenge. It's because we felt it was necessary." *(AP)*

Times Ends a Long Broadway Run

By Lawrence Van Gelder
New York Times Service

NEW YORK — The curtain has come down on the longest-running production on Broadway.

After 146 years, 93 in or near Times Square, The New York Times was printed in Manhattan for the last time Saturday night.

In the culmination of planning begun in the 1980s to increase press capacity, add new sections and offer later news and scores for readers in the metropolitan region, the pressroom under 43d Street between Seventh and Eighth Avenues rumbled its last.

At the end, where nine huge Goss presses whirred as recently as six months ago, there roared only a single half-century-old press tended by a crew of a baker's dozen, turning out about 5 percent of the news sections of the 1.64 million copies of the Sunday paper.

In all, some 80 pressmen, paper handlers, machinists, electricians, mailers, drivers and managers were involved in the final night of what had been the largest manufacturing operation in Manhattan.

Beginning Sunday, The Times, with a weekday circulation of 1.1 million, was printed for New York metropolitan area readers at its new $350 million, five-press plant in College Point, Queens, and at a $450 million, six-press plant in Edison, New Jersey, which has been operating since 1993.

The headquarters of The Times's news, editorial and business offices will remain at 229 West 43d St.

Commenting on the transfer of production, Charles Millard, the president of the city's Economic Development Corp., said: "This should remind everyone that economic development in New York City includes five boroughs, not just one."

The city gave The Times $21.5 million in tax credits, grants and purchase options for the new plant. The tax breaks were intended to keep the jobs in New York City.

The end of an era on 43d Street was tinged with sadness for many employees.

"The emotional portion of it is very difficult," said Tom Walber, the plant manager responsible for production. "There are tough guys in here, and they're crying."

Raymond Kelly, 57, a pressman for 40 years and the assistant general foreman of all pressroom operations for The Times, echoed Mr. Walber. "It's my adult lifetime," he said.

In a formal statement to the staff Friday, the publisher, Arthur Sulzberger Jr., took note of the inclination to sorrow over the end of production on 43d Street. "But," he wrote, "our history is one of constant renewal, and it teaches us that the passing of one tradition also marks the birth of a new and exciting era."

The Times, founded in 1851, had been printed since 1904 in Times Square and since 1913 at 229 West 43d Street.



John Kuntal/Reuters

ZOO STORY — Newt Gingrich strokes a party symbol at his 54th birthday party in Atlanta's zoo.

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SAUVIGNON BLANC Also known as Fumé Blanc. Bright high-acid wine, with a pleasing herbal tinge. BEST APPELLATIONS: *Sonoma, Napa, Monterey, Lake, Santa Barbara, Livermore.*

RIESLING The great German variety is sometimes called "Johannisburg Riesling" in California. At its best, it can yield fruity, floral wines. There are also many successful sweet "late harvest" versions being produced. BEST APPELLATIONS: *Monterey, Napa, Santa Barbara, Russian River Valley, Mendocino.*

GEWURZTRAMINER A spicy, perfumed variety that has had success in limited plantings. BEST APPELLATIONS: *Mendocino (Anderson Valley), Sonoma, Monterey.*

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SEMILLON Often blended with Sauvignon Blanc for dry Bordeaux-style blends. Some superb sweet versions as well. BEST APPELLATIONS: *Monterey, Napa, Sonoma, Livermore.*

RED

CABERNET SAUVIGNON The red grape that established California as a premier wine region still accounts for many of the most prized (and costly) bottlings. Dense, deep wines with flavors of plum, smoke, leather, mint, and spice. BEST APPELLATIONS: *Napa, Sonoma (Alexander Valley, Knights Valley, Sonoma Valley), Santa Cruz, Livermore.*

MERLOT A rising star, this soft, luscious varietal has emerged as a low-tannin Cabernet alternative. BEST APPELLATIONS: *Carneros, Napa, Sonoma (Alexander Valley, Sonoma Valley).*

PINOT NOIR A difficult-to-produce grape that can yield complex wines loaded with cherry/berry fruit. BEST APPELLATIONS: *Carneros, Russian River Valley, Santa Barbara, Mendocino, Monterey.*

ZINFANDEL Of unknown origins, Zinfandel offers peppery, spicy flavors with lots of blackberry fruit. Also made in a blush version called White Zinfandel. BEST APPELLATIONS: *Napa, Sonoma (Dry Creek Valley, Sonoma Valley), Mendocino, Russian River Valley, Amador.*

SYRAH Rich, red Rhône variety that yields dense wines with ripe flavors of blackberries, tar and spice. BEST APPELLATIONS: *Napa, Sonoma, Santa Barbara.*

SANGIOVESE The primary grape in Chianti is a rising star in California. Spicy, medium-bodied, with ripe, appealing flavors. BEST APPELLATION: *Napa.*

PETITE SIRAH A lesser variety than Syrah. Yields dark, purplish wines that are full-bodied, tannic, course and dense. BEST APPELLATIONS: *Napa, Sonoma, Livermore.*

A.D.B.

PASSING THE TASTE TEST: QUALITY DRIVES EXPORT BOOM



Exports of wines from the United States are booming. Indeed, demand currently exceeds production. American wines are exported to 164 countries. In 1996, sales jumped by 35 percent, to $327 million, and rose 22 percent in volume, to 47.5 million gallons. These impressive figures reveal the growing worldwide enthusiasm for U.S. wines. California produces 90 percent of wines in the United States and exports nearly 10 percent of its production.

"The future for Californian wine exports is very bright," says Larry Maguire, managing director of Far Niente. This small Napa Valley estate winery produces about 40,000 cases of top-quality Cabinet Sauvignon and Chardonnay a year and exports around 7 percent to 10 percent of its production. Mr. Maguire adds: "Californian wines had huge problems 20 years ago. They were seen as the inexpensive alternative rather than a taste alternative. Now people have come to realize that Californian Cabernets have a taste of their own that makes them distinctive and that Californian Chardonnays are wonderful and should be evaluated for what they are."

Britain remained the top export market for U.S. wine, accounting for a quarter of all exports. In 1996, sales to Britain brought in $81.6 million, up 36 percent over 1995. Over half of the wines exported from the United States in 1996 were sold in Continental Europe. "The consistent presence of California vintners at major trade shows and tastings is having a positive cumulative effect on U.S. wine exports to Europe," says Paul Molleman, the European marketing manager of the San Francisco-based Wine Institute. "The availability of a wider selection of wines at different price ranges has also continued the momentum."

Canada was the second largest export market last year. Sales rose 35 percent, to $72.4 million, accounting for 22 percent of the total value of U.S. wine exports.

"The reasons for the strong California trend are a higher emphasis on exports by California vintners, along with a growing recognition by consumers of the quality produced in the Golden State, and the significant support provided by Canada's restaurant trade," says Rick Slomka, the Wine Institute's trade representative in Canada.

Japan remained the third largest overseas market in 1996. Though dollar value was down 3 percent, volume rose 1 percent. Other Pacific Rim markets experienced significant increases last year, including Hong Kong, Taiwan, Thailand, South Korea and Singapore. China surged by 350 percent, spending $1.1 million on U.S. wine.

Joseph Rollo, director of the Wine Institute's international department, says, "The booming Pacific Rim economy has created more discretionary income for Asian consumers, and the positive health news on moderate drinking is expanding the interest in wine."

Wente International in Livermore exports more than 50 percent of its production to 122 countries. John Schwartz, vice president of international operations, says, "In Southeast Asia, wine consumption has now eclipsed Cognac. Ever since the royal physician prescribed a daily glass of red wine for the king of Thailand's heart condition, we cannot get enough Cabernet into the country."

Wente is now the largest exporter of California wines to France. "We have been selling in France for six years," Mr. Schwartz says, "and we are making great progress because the French no longer exclusively drink French wine. I think the future of Californian wines in Europe shows nothing but upward growth."

Wente affiliates Concannon Vineyards and Murrieta's Well Winery also recognize the importance of exports for the future of the U.S. wine industry. At the Schug Carneros Estate Winery in the Sonoma Valley, winemaster Walter Schugof says, "We export about 30 percent of our 16,000-case production, which is high for a Californian winery. We are particularly successful in Germany, but we regard Asia as a very important up-and-coming market."

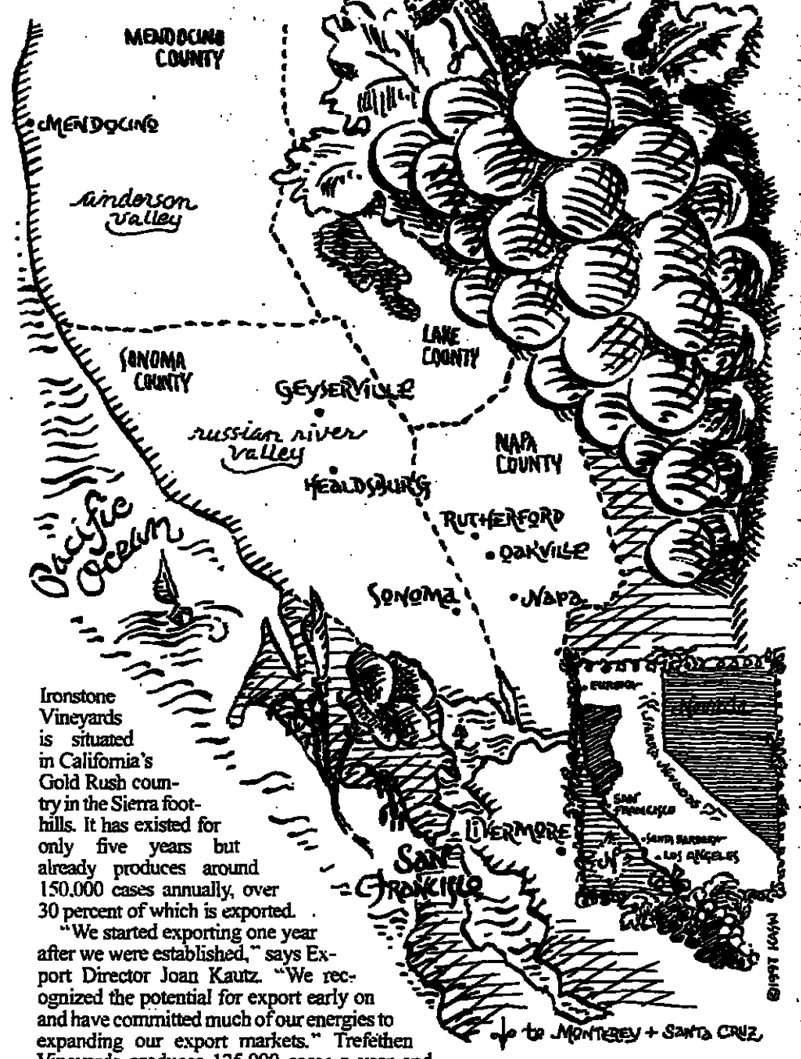
St. Supéry only opened its doors in 1989 but is already producing 100,000 cases a year and expects to produce 180,000 annually by 2005. Around 10 percent of production is exported. Export Manager Lesley Keffer says, "Exports are very important to our company. We feel we should have some international focus. We see a steady growth in exports right up until the time we reach our goal production level."

Dry Creek Vineyard has gone from producing 1,200 cases when it was founded in 1972 to 120,000 in 1996. It exports around 10 percent of its production. The winery specializes in Fumé Blanc but also produces award-winning red Reserve wines. "We were one of the very first Californian wineries to send our products overseas," says Vice President Kim Wallace. "We shipped our first exports overseas to England in 1977 and have not looked back. The biggest problem we have right now is that we don't have enough wine to open up new markets. We are just trying to supply wine to existing agents."

The Murphy-Goode Estate Winery is enthusiastic about selling abroad. "We are pursuing exports because it is a growing market for us," says sales coordinator Christine Griffith. Kautz Ironstone Vineyards is situated in California's Gold Rush country in the Sierra foothills. It has existed for only five years but already produces around 150,000 cases annually, over 30 percent of which is exported.

"We started exporting one year after we were established," says Export Director Joan Kautz. "We recognized the potential for export early on and have committed much of our energies to expanding our export markets." Trefethen Vineyards produces 125,000 cases a year and exports about 7 percent of its production. Owner Janet Trefethen says, "Exports are critical. We want to be recognized as one of the fine wine producers of the world, and we cannot do that if we keep all our wines in our own backyard." She adds: "In terms of quality, these days Californian wines are among the best. We can proudly go and taste with anyone, anywhere."

Ian D. Markham-Smith



FROM MISSIONARY GRAPES TO WORLD-CLASS VINTAGES



These are heady times for the California wine industry. Throughout America and the rest of the world, wines made in the Golden State have developed a reputation that rivals the great wines of Europe. While favorable climates, ideal soil profiles and cutting-edge viticultural practices have contributed to this success, what it really comes down to is freedom. Talented young vintners have had the liberty to experiment with different grape varieties, winemaking styles and growing areas. In this way, through trial and error, they have forged an industry of remarkable distinction.

Franciscan missionaries planted the first vinifera (European) grapes in California in the late 18th century to make sacramental wines, but most of the plantings were subsequently wiped out by phylloxera, an aphid that feeds on grape vine roots. Gold Rush frenzy swept Northern California in 1849 and, in response to the ensuing population boom, pioneer vintners planted vines in Napa and Sonoma. Later, regions ranging from Los Angeles county in the south to Mendocino in the north were developed. The German Wente family established the Livermore Valley as a premium wine-producing region. The Concannon family and, more recently, Murrieta's Well, have followed their lead.

Two events — one natural, the other political — would conspire to bring this first Golden Age to an end. In 1880, a wave of phylloxera ruined entire vineyards. Then, in 1919, estates lucky enough to survive phylloxera had to contend with Prohibition. Many winemakers shut down; others turned their vineyards into fruit and nut orchards. When Prohibition ended 13 years later, much of the wine industry's infrastructure lay in disrepair. More significantly, American tastes had turned to spirits like bourbon and scotch and away from wine.

In the 1960s and early '70s, a group of vintners began to rediscover premium wine. The watershed event was the Paris Tasting of 1976, in which a pair of California wines defeated French Burgundies and Bordeaux in a blind tasting attended by the top wine experts in France. By the 1980s, investment was again pouring into California's wine country. Many of the new arrivals restored 19th-century properties. Gil Nickel renovated a classic winery in Napa for his Far Niente estate. Hamden McIntyre, who built the original Far Niente winery, also constructed the vintage wooden winery that has since been restored by the Trefethen family.

Vines were planted throughout the state, and several important appellations emerged. Carneros, at the southern edge of Napa and Sonoma, has a cool climate suitable for the production of Chardonnay, Pinot Noir and sparkling wine. This is where Walter Schug established his premium winery. The Dry Creek Valley in Sonoma showed promise with deep, fruity Zinfandel and lush Cabernet Sauvignon. It remains one of the most consistently excellent red wine districts in the state. David Stare's Dry Creek Vineyards was the first premium winery established there after Prohibition. The Russian River Valley, Santa Cruz, Santa Barbara, Mendocino and Monterey all became home to premium wineries. Even the foothills of the Sierra Nevada Mountains emerged with a few quality producers, including the Kautz Winery. California vintners have discovered the critical importance of *terroir*, the unique quality a region imparts to its wines.

California wine country is a major tourist attraction. Route 29, which runs through the central Napa Valley, attracts more than 3 million visitors every year. One popular stop is Saint Supéry, an estate winery owned by the French Skalli family, which boasts a fine visitor center.

Just as the American wine industry was gathering steam, a neo-Prohibitionist movement began to take shape, seeking to impose a variety of regulations and mandatory warning labels. But just when the outlook seemed bleakest, America's most popular television news show, "60 Minutes," reported that moderate wine consumption has health benefits.

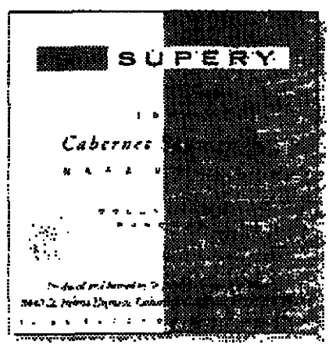
Thanks to this news and the lobbying efforts of the Wine Institute, the American wine industry has entered the most prosperous period in its history. American consumers deserve a lot of credit for the resurgence of California winemaking. They are better educated about the subtleties of fine wine and understand and appreciate the different wine varieties produced in the state. Americans are consuming more wine than ever before because California wines are better than ever before. Indeed, they are among the best in the world.

Anthony Dias Blue

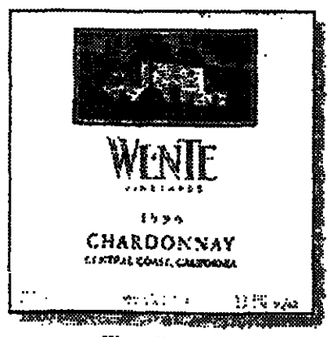
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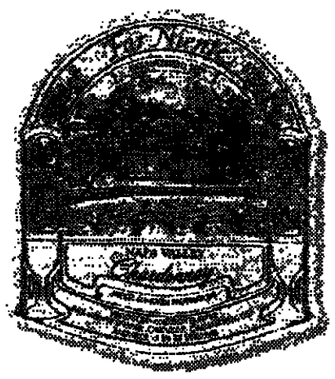
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Somalia Photos Shake Italy

Evidence of Army Abuses Stirs Calls for Inquiry

By John Tagliabue
New York Times Service

ROME — The publication of photos said to depict Italian soldiers abusing unarmed civilians during a mission to Somalia in 1993 has led to a wave of soul-searching in this nation accustomed to a gentler image of its postwar armed forces.

The photos were published over the last week by the news magazine Panorama and were accompanied by interviews with the former soldiers who took the photographs detailing acts of brutality to civilians.

In one photo, an Italian officer appears to be applying electrodes to the wrist of a Somali man who lies naked on the ground. A series of pictures show soldiers who appear to be sexually abusing a young woman with a military flare smeared with jam.

Thursday, Defense Minister Benjamino Andreatta pledged an immediate investigation, saying that the "honor of the armed forces is at stake."

Although soldiers of other nations, including Canada and Belgium, have been accused of brutality during the mission in Somalia, the harshness of these published images shakes one of the widely held assumptions of Italians, namely that their armed forces in the post-World War II era are of a more easygoing sort than those of other nations. Italians cling to a popular notion of their military as a bastion of pageantry embodied by columns of soldiers with feathers in their caps marching to martial music.

The photographs also have raised the issue of responsibility for atrocities committed in wartime, one the Italian justice system has had difficulty resolving.

Troops of Italy's crack *Folgore*, or Lightning, division went into Somalia in late 1993 together with soldiers from other nations in a mission led by the United States to safeguard the delivery of food to starving civilians.

While the operation helped the hungry on the Horn of Africa, efforts to restore civilian order foundered, and in 1995 the last troops, by then under United Nations supervision, were withdrawn.

Mr. Andreatta, the defense minister, has himself come under attack by fellow cabinet ministers for remarks to a television reporter in which he appeared to belittle the seriousness of the actions attributed to the soldiers as "military student pranks."

Anna Finocchiaro, the minister for equal opportunity, criticized Mr. Andreatta, saying the deeds attributed to the soldiers were a "very serious felony, a crime against human rights."

Italian officials identified the officer who appears to be fixing electrodes to a Somali as Valerio Ercole, who now works in a military hospital in Livorno, in central Italy. He and four other officers have been questioned by military prosecutors, they said.

The charges strike at the very heart of a discussion about Italy's military role abroad.

Thousands of Italian soldiers are now stationed in Albania, leading a multinational force that is securing the delivery of food and other aid and seeking to maintain a fragile peace before national elections scheduled for later this month.

Colonel Marco Bertolini, the commander of the Folgore Division, defended the behavior of the Italian troops in Somalia, saying, "Somalia was not our Vietnam."

The commander, who served in Somalia in 1993, said the crimes imputed to the division's men, "if they happened, were sporadic events and isolated crimes, not the rule."

But Saro Pettinato, a senator of the Green Party responsible for judicial matters, proposed that Mr. Andreatta take the inquiry out of the hands of military prosecutors and give it to civilian magistrates.

Last year, Italians were stunned when a military court in Rome freed a former German soldier, Erich Priebke, who is accused of complicity in one of the worst atrocities committed in Italy during World War II. Prosecutors say Mr. Priebke was a principal participant in the execution in 1944 of 335 Italian civilians at the Ardeatine Caves outside Rome.

Italy's highest court later nullified the verdict of the military court, which had ruled that the statute of limitations had expired in the Priebke case, and ordered a new trial.

Some here have cited the case as an argument against those who sought to minimize the significance of what occurred in Somalia.

"Priebke, too, was doing his duty," said Stefano Cingolani, a commentator in the daily Corriere della Sera. "He was only following orders."



Peter Turnley/The Associated Press

General Carmine Fiore, left, shaking hands with General Bruno Loi in Somalia in 1993. Both officers resigned over the weekend.

Major Issues Still Divide Allies as Decision on NATO Nears

By Craig R. Whitney
New York Times Service

ANKARA — Russian objections to enlarging NATO may be out of the way, but the allies remain far apart over issues they will have to resolve before they can go ahead next month with plans to extend the first formal invitations to prospective members.

The United States is at odds with France, Italy, Turkey and half a dozen other allies in its insistence that only the Czech Republic, Hungary and Poland can be admitted in the first wave.

France is still holding the reorganization of NATO hostage to its desire to replace a U.S. admiral with a European officer in the alliance's key southern military post, the Southern Command in Naples, allied officials at NATO headquarters in Brussels said. Last week, Defense Secretary William Cohen rebuffed the French again.

And in yet another hitch, here in Turkey, a NATO member since 1952, officials say that their country will block any decision on enlargement unless it gets some encouragement in its decadeslong quest to join the European Union.

President Bill Clinton and other NATO leaders want to proclaim the alliance reorganized for the post-Cold War era and extend invitations to the first Warsaw Pact countries to join it at a summit meeting in Madrid on July 8-9.

But NATO decisions require a consensus of all 16 members. Some, including Turkey, want Romania included in the first wave of expansion.

And Turkey, miffed at recent suggestions from some European Christian Democratic politicians and others that Muslim Turks are not real Europeans, is threatening to hold the North Atlantic Treaty Organization hostage to its long-standing desire to get into the EU.

Turkey's shaky coalition government and its powerful military establishment, at odds over the direction the country should take on many other things, appear to agree on the enlargement issue.

"If Turkey has the feeling that we are not being discriminated against in the European Union, then we will be in a position to participate in the NATO enlargement process," said Onur Oymen, a senior Foreign Ministry official.

He added that Turkey was also demanding full membership in the Western European Union, a European defense group that coordinates with NATO.

General Cevik Bir, the powerful deputy chief of staff of the Turkish armed forces, put the country's position more bluntly, saying, "We would like to use NATO as a tool for our integration into the European Union and the Western European Union."

General Bir expressed concern over what he called the "anti-secular activities" of the coalition government of Prime Minister Necmettin Erbakan, whose Islamist leanings have also alarmed some EU leaders. But Defense Minister Turhan Tayan brushed aside European objections.

"Our European friends are not being very objective when evaluating our desires," he said. "It is not possible to explain Turkey not being accepted as a European state."

Turkey, with 62 million people, has been trying since 1963 to join what is now called the European Union. But some Western diplomats argue that its high inflation rate, more than 70 percent this year, high unemployment and a social and military conflict with Kurdish separatists that has led to accusations of widespread human rights violations all put Turkey far behind Poland, the Czech Republic, Hungary and other Central European countries on the list of EU applicants.

"No country can become a European Union member with such serious internal problems with a minority or a region that democratic structures or the security of the country are placed in peril," the German ambassador in Ankara, Hans-Joachim Vergau, said recently.

Turkish officials say that unless a report by the EU Executive Commission on prospective members gives Turkey reason to hope for eventual membership on the same terms and criteria as applicants from Central Europe, there will be trouble at next month's NATO summit meeting in Madrid.

BRIEFLY

Italian Referendum in Doubt

ROME — A referendum in Italy on seven issues as diverse as hunting and privatization was in doubt Sunday amid indications that a majority of voters could stay away from polling stations.

For a referendum to be valid here, more than 50 percent of the 49 million eligible voters have to take part. But only 13.2 percent had cast their ballots by 5 P.M. on Sunday, 10 hours after polling stations had opened, according to official figures.

The low turnout was attributed partly to the media, which was indifferent to the referendum. After three general elections in five years, the Italians also are experiencing voter fatigue. In the sweltering weather, many preferred to go to the beach. *(Reuters)*

U.K. Focuses on Ulster Parades

BELFAST — Britain vowed Sunday to step up efforts to find a peaceful solution to the conflict over parades between Northern Ireland's rival Protestants and Catholics.

Northern Ireland Secretary Mo Mowlam, anxious to avert a repeat of the turmoil that gripped the province last year, announced that she would hold talks with pro-British Protestant marching groups and Catholics who object to the marches.

"The government is determined to do all we can to avoid a repeat of last year's appalling events, which the people of Northern Ireland have made absolutely clear they don't want to see," she said. Last year the marches prompted the worst street violence in the province in decades. *(Reuters)*

East Germans Clash With Turks

BERLIN — East German youths shouting "Heil Hitler" clashed with Turkish shopkeepers in Rostock and other extremist rightists severely beat a Togolese asylum-seeker, the police said Sunday.

They said a third group attacked a group of campers in the eastern town of Liepgarten, leaving a 16-year-old youth with head injuries.

A police spokesman in Rostock north of Berlin said about 10 youths between the ages of 16 and 20 tried to attack the Turkish shopkeepers on Saturday. But the Turks fought them off with metal bars, leaving two of the assailants seriously injured. *(Reuters)*

Tory Says Defeat Was Inevitable

LONDON — The former British finance minister, Kenneth Clarke, said Sunday that no one could have led his Conservative Party to victory in the May 1 election that swept the Labour Party into power and ousted Prime Minister John Major.

Laying out his position for Tuesday's second round ballot for the leadership of what is now Britain's main opposition party, Mr. Clarke said defeat had been inevitable.

Before the election, "the big issue was, was the Conservative Party really still capable of being the natural governing party of this country," he said in an interview on BBC television. "It would be possible to look back and say, Look, probably the party wasn't leadable by anybody in its then state, and it probably wasn't electable."

Labour's landslide victory left just 164 Conservative members of Parliament — less than half the number the party had in the previous election. *(Reuters)*

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Hong Kong Panel Backs Political Limits

By Keith B. Richburg
Washington Post Service

HONG KONG — Beijing's shadow legislature for Hong Kong has approved a package of tough new restrictions for the British colony, responding to demands of China's Communist leadership that this capitalist enclave not be turned into a base for subversion after it comes under Chinese control July 1.

The "provisional legislature," as the hand-picked panel is called, voted to give the Hong Kong police broad new powers to ban even peaceful demonstrations in protecting China's "national security." Another change will initiate a requirement that groups wishing to hold protest marches or rallies get approval from the police.

[In London, the Foreign Office condemned the provisional legislature's new laws Sunday as "both unjustified and unnecessary," Agence France-Presse reported. A Foreign Office spokesman said the moves had "aroused concern in Hong Kong and internationally."]

The shadow legislature's action drew a condemnation from Martin Lee, a member of Hong Kong's current legislature, which the Chinese plan to disband, chairman of the Democratic Party and a well-known campaigner for democracy.

"This is a clear sign of things to come," Mr. Lee said. "These changes to our laws represent a step backward for freedom and will revive colonial restrictions on the exercise of basic rights."

The 60-member appointed legislature also voted to outlaw foreign donations to political parties — a move aimed directly at weakening the popular Democratic Party, which receives aid from overseas human-rights organizations and others. The panel also voted to impose penalties of $800 and three years in prison for anyone who burns or defaces a Chinese flag after July 1.

The provisional body has been meeting outside Hong Kong, in the Chinese border city of Shenzhen. All of the new laws will take effect immediately after Hong Kong reverts to Chinese sovereignty.

The new rules set off dispute here and abroad when the man who will be China's chief executive for Hong Kong, Tung Chee-hwa, proposed them in April. But Saturday, the entire package of proposals passed on just a voice vote and after only two hours of debate, as members of the pro-China panel expressed agreement with Mr. Tung's message that Hong Kong's freedoms must be controlled or the territory risked a breakdown of public order after China officially takes charge.

Only two members of the appointed panel, both formerly democracy legislators who joined the shadow chamber, tried to water down some of the new regulations.

One member, Dominic Chan, proposed that police use national-security grounds to ban protests only if the demonstrators were inciting foreign military intervention against China. He likened the new restrictions to "holding a knife to the throat of freedom and democracy."

But Michael Suen, Mr. Tung's legal adviser, disagreed, saying national security could be threatened without violence.

Defenders of the new rules say the restrictions on public protests and on political parties are no more severe than those wielded by British colonial authorities for most of the 150 years of imperial rule in Hong Kong. But many of the archaic colonial laws were repealed over the last seven years — after Britain knew it would be turning Hong Kong over to China, and after the 1989 army massacre of students demonstrating in Beijing's Tiananmen Square induced British authorities to introduce a last-minute measure of democracy in the colony.

Meanwhile, a plan by Prime Minister Tony Blair of Britain and the U.S. secretary of state, Madeleine Albright, to boycott the swearing-in ceremony for the appointed legislature appeared to be gathering little international support.

Mr. Blair and Mrs. Albright travel to Hong Kong at the end of the month for the official transfer ceremonies, to be held at a waterfront annex to the city's international convention center.

But both have said they will skip a separate inaugural event at which Mr. Tung, the appointed legislature and new members of the supreme court will take their oaths of office. Mr. Blair and Mrs. Albright were concerned that attending the ceremony might lend legitimacy to the appointed legislature.

Officials from Australia, New Zealand and Japan, among others, have said they will attend, so as not to snub China.

In Tokyo, Prime Minister Ryutaro Hashimoto said he would send the Japanese foreign minister to the ceremony even though he knew it is controversial.

"I think we must go," he said.



Jason Reed/Reuters

Mr. Tung attending the inauguration of the building where Hong Kong's transfer will occur.

Foreign Minister Alexander Downer of Australia said he would attend because Canberra had already registered its objections to the appointed body.

Guerrilla Pursuit Of Pol Pot Reported

By Seth Mydans
New York Times Service

PHNOM PENH — Pol Pot, a man responsible for the deaths of more than a million of his countrymen, was reported over the weekend to be on the run in a remote jungle, pursued by guerrilla fighters he once commanded.

The former dictator is being protected by no more than 300 armed men, a Cambodian government official said, after ordering the killing of one of his chief lieutenants in what appeared to be a final, fatal split in the inner circle of his movement, the Khmer Rouge.

The government official, General Nhiek Bun Chhay, spoke at a news conference Saturday at which he displayed large color photographs of the bloody corpse of the man Mr. Pol Pot is said to have had killed last week, his former defense minister, Son Sen. Mr. Pol Pot, 69, is ailing and has been abandoned by almost all of his supporters, said General Nhiek Bun Chhay, deputy chief of staff of the Cambodian armed forces. "In the few days ahead, first, Pol Pot can lay down his arms; second, Pol Pot can kill all of his leaders and then kill himself," the general said.

He said Mr. Pol Pot had been penned in by about 1,000 rebels from five Khmer Rouge divisions and barred from fleeing across the nearby border with Thailand by troops from that nation.

That report could not be confirmed, however. And although it appeared that Mr. Son Sen had been killed, political analysts here were puzzled by some of the details of General Nhiek Bun Chhay's account and said his description left it unclear just what happened in the early hours of last Tuesday.

On Friday, Cambodia's first prime minister, Prince Norodom Ranariddh, said that gunmen acting on orders of Mr. Pol Pot had killed Mr. Son Sen, his powerful wife, Yun Yat, and nine of their relatives.

The reported rupture in the ruling clique followed nearly a year of defections during which Mr. Pol Pot lost the support of at least two-thirds of his army as the long-running Maoist insurgency collapsed.

Speaking publicly for the first time about the week's events, Prince Ranariddh's rival, Second Prime Minister Hun Sen, confirmed Saturday that Mr. Son Sen had been killed. But he urged caution in accepting the details of the event as described by General Nhiek Bun Chhay and said the situation continued to be "very dangerous."

In particular, he said he doubted a report from both Prince Ranariddh and the general that after killing Mr. Son Sen, Mr. Pol Pot had taken hostage three of his other top lieutenants, Khieu Samphan, Nuon Chea and Ta Mok.

These are some of the most hated names in Cambodia, leading figures in a radical Maoist experiment in which this already poor nation was transformed into a primitive society where education, commerce, culture and religion were forbidden. From 1975 to 1979, one-fourth or more of the population died of torture, execution, disease or overwork.

Vietnam invaded Cambodia and overthrew the Khmer Rouge in 1979, and fighting continued until a peace agreement was signed in 1991. Elections supervised by the United Nations but boycotted by the Khmer Rouge were held in 1993, and Cambodia has struggled ever since to establish a democracy.

The capital was filled Saturday with speculation and theories about the split in the Khmer Rouge inner circle and about the future course of events.

People here expect to hear the news in the coming days that the man who terrorized them has finally been killed, or that he has been captured and might appear among them for the first time in 18 years.

China Burns Illegal Drugs

Agence France-Presse

HUMEN COUNTY, China — Officials burned 150 kilograms (330 pounds) of drugs here Sunday, recalling the 19th century Chinese-British Opium Wars that led to Britain's "horrifying" colonization of Hong Kong.

A century and a half after Chinese Imperial Commissioner Lin Zexu burned more than two million metric tons of opium seized from British merchants, 1,000 people gathered here to witness the burning of one hundred kilograms of heroin and 50 kilograms of amphetamines. Young people were warned of the dangers of drugs.

Officials at the ceremony admitted that China once again had an increasing drug problem, which they said was due to "the influence of international society."

BRIEFLY

4 Arrested for Blaze in India

NEW DELHI — The police have arrested four theater managers for suspected criminal negligence in a fire that swept the crowded premiere of a blockbuster movie. Sixty people were killed, most of them asphyxiated or trampled to death.

A magistrate ordered the managers kept in prison for 14 days while investigators began an inquiry into why so many people were trapped in Friday's inferno at the theater in suburban Green Park.

The authorities said the fire had started at a transformer, and survivors said their escape from the theater had been blocked by bolted doors. More than 200 people were injured. *(AP)*

Rampage on Indonesian Island

JAKARTA — Hundreds of people rampaged through a town on the East Java island of Madura, torching shops a movie theater, a church and a Buddhist temple in the latest flare-up of violence in Indonesia, officials said Sunday.

A political party official, who asked not to be named, said the incident began when people attacked officials attending a thanksgiving ceremony for a town cleanliness award won by Bangkalan.

"There is still concern among the population over widespread violations and fraud" during the recent elections in Indonesia, but "officials are just having fun and being merry," said Fuad Amin, head of the local chapter of the Muslim-led United Development Party. He said the people "just felt insulted." *(AFP)*

Pills Make 600 Ill Near Beijing

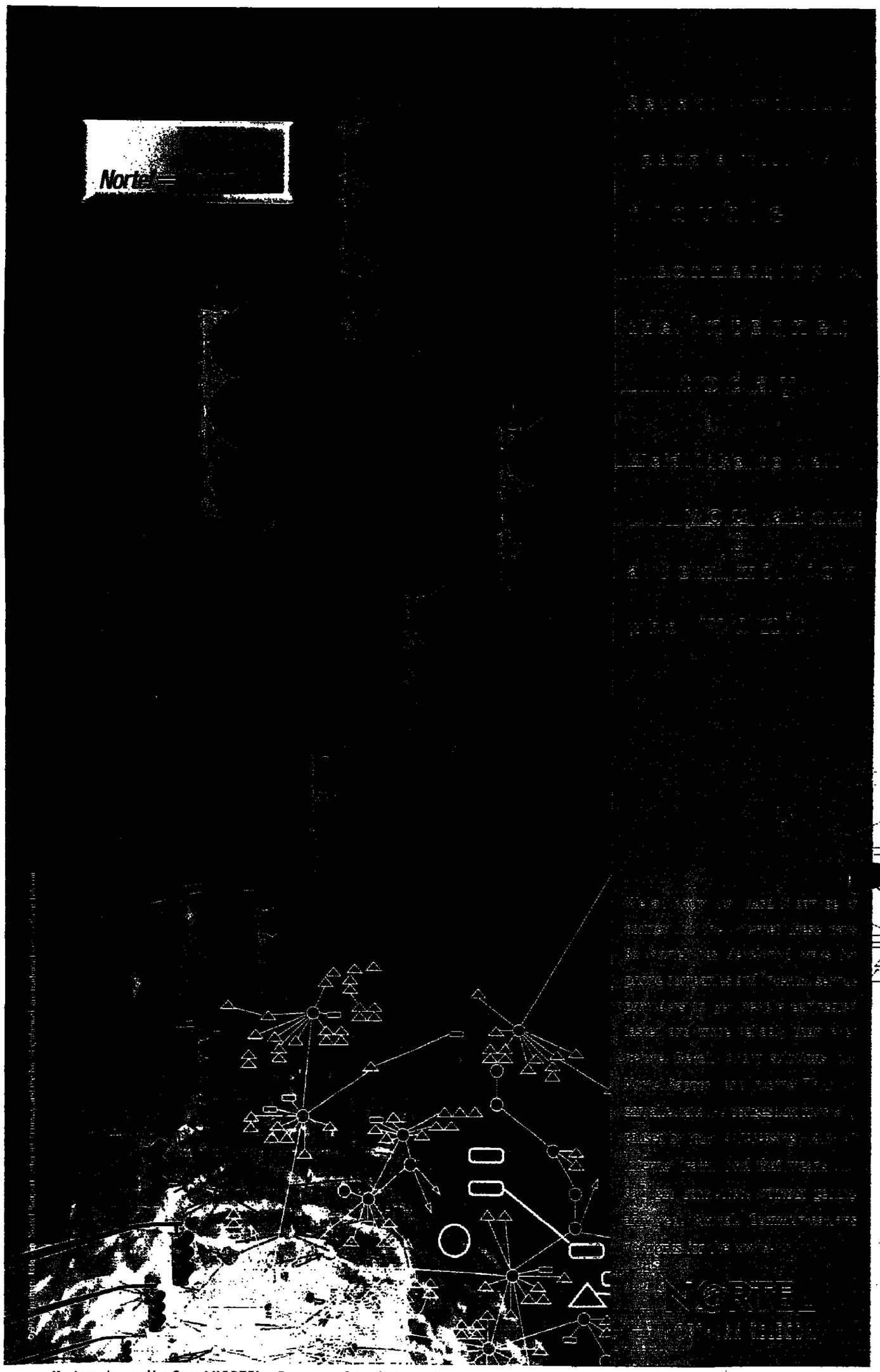
BEIJING — More than 600 schoolchildren fell ill after taking expired iodine tablets in a county near Beijing, and 65 were hospitalized, a newspaper reported Sunday.

No deaths were reported in the poisonings, which took place over the past four days in Langfang county, the China Daily said. The newspaper did not describe the children's symptoms.

Parents of about 1,000 children had bought the pills as a dietary supplement on the recommendation of school authorities, the newspaper said. It said the pills had passed their expiration date 10 months ago. The sellers of the pills were arrested. *(AP)*

VOICES From Asia

The Foreign Affairs Committee of China's National People's Congress assailing the European Parliament for its recent attack on Beijing's policies on human rights and Hong Kong: "We would like to seriously demand of these people in the European Parliament that they should discard the Cold War mentality, conform to the trend of the times and do something useful for the healthy development of China-Europe relations." *(Reuters)*



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هكذا من الأصل

The European Summit / *Cautious Optimism for a Deal to Save the Euro*

هكذا من الاصل

Irony in French-German Debate: Neither Model Is Working Well

By John Vinocur
International Herald Tribune

AMSTERDAM — The German economic model leads to petty accountancy and stagnation; the new French proposals for Europe's economy are programmed first for illusion, then profligacy, then failure.

To hear the two sides characterize one another's positions in their dispute about the direction that European monetary union will take as the century closes is to think that if the European Union chooses one over the other at its summit meeting Monday and Tuesday in Amsterdam, Europe is headed for tears.

The French make-work view is "old-fashioned economic thinking," Wolfgang Schaeuble, leader of the Christian Democratic parliamentary group in Bonn, said over the weekend. "There's something else besides monetary stability and mastering public expenditure," Prime Minister Lionel Jospin insisted to Chancellor Helmut Kohl on Friday in Poitiers, France. "There's something else, growth and employment, the struggle against joblessness, bringing policies together — and these are requirements in the face of poverty and precariousness."

Privately, the tone sharpens further. For the Germans, the fight is against eternal socialist junk, the blah-blah that has brought a pyramid at the Louvre and an arch at La Defense (where the elevators don't always work), but nothing, ever, like prosperity or long-term prospects. For the friends of Mr. Jospin, the combat is aimed at the bank teller's worldview, a Frankfurt rule book obsessed with monetarist infractions but cool to human concerns and so rigid as to imprison people and economies.

This is an old waltz, with familiar dancers, caricatures of heartlessness and warmth, or of

NEWS ANALYSIS

thrift and irresponsibility. What is new here is a discomforting irony about the alternatives.

As much as the new French government's ideas about creating employment through state-sponsored programs, tight regulation of the marketplace and a willingness to create business by means of new public debt can appear part of the past, so do the outlines of the German model, or what economists sometimes call Rhenish capitalism. An overbearing banking system, a weak equity market, an enormous public sector, stiff labor laws and near-institutionalized risk aversion — this German mold, producing massive unemployment and failing competitiveness, has very little to do with the methods of the more successful economies in the United States and Britain, or even the Netherlands or Denmark.

Yet virtually all of the debate over Europe's economic future, in the context of European monetary union and its stability pact, has been between a France and a Germany that figured 23d and 25th in the ranking of world economic competitiveness established last month by the World Economic Forum in Davos, Switzerland. Whatever the ranking's real worth — the United States is third and Britain seventh — the top 20 do not include any economies led by Keynesian theorists, or those where a central bank or labor unions have arguably disproportionate roles.

In France, there is no certainty that the Socialists, once they complete an audit of the national economy, will want to practice at home the same theory they are now urging for Europe.

As far as Germany is concerned, there is considerable talk about restructuring industry, freeing the labor market and changing the endless rules that govern things from the purity of beer to the number of years a sales assistant in a bakery must give to memorizing different sorts of grains before emerging from apprenticeship.

But the German model at home, or the one that is reflected in the German-dominated rules for the planned monetary union, plainly does not offer sufficient commitment to American-style freedoms of the marketplace that could serve to counterbalance the strength and occasional political insensitivity of the Bundesbank, or of its child-to-be, the future central bank of Europe.

German unions and politicians blocked, in seeming terror, the proposed takeover three months ago of Thyssen by Krupp, suggesting the country was not ready to deal with a certain kind of 1997 economic reality. For President Roman Herzog, the old model retards change, with his country living a vicious cycle of "resignation, blocked reforms and lost economic dynamism."

With their instinctive rejection of deregulation removing the possibility of more reliance on the marketplace, the French Socialists have made clear they want to take a greater hold on the policies of the future European central bank through some kind of high-level economic policy-making group. This again clashes with German intentions, and carries the additional irony that France since Charles de Gaulle has been Continental Europe's strongest opponent of any kind of European federalism.

These circumstances have obscured less politically pressured discussions about the wisdom of the stability pact that carries the numerical elements of monetary union's convergence criteria — which have been held responsible in part for Europe's austerity budgets and high unemployment — into the indefinite future. And they have drawn attention away from the message that Prime Minister Tony Blair, who will make his first appearance representing Britain at a European summit meeting, has been putting out in the run-up to Amsterdam.

With his government continuing to keep to the sidelines with a wait-and-see attitude toward joining monetary union, there are limits to Mr. Blair's urging and involvement. But he can repeat his desire to promote "the marriage of a more human society with economic competitiveness and flexibility in employment."

Mr. Blair insists, as does President Bill Clinton, that the marriage can be made. Regardless of the French and German positions, and the political maneuvering that entrenches them, their history since Konrad Adenauer and General de Gaulle shows unvarying willingness to find reasonable solutions.

Their distance from one another, and their distance from the thinking that best exemplifies the currently successful economies, makes that more than usually difficult today.

World Without the Euro?

Some Economists Shrug, Others Shudder At Possibility of a Single Currency Flop

By Joseph Fitchett
International Herald Tribune

PARIS — What if there were no euro? Suppose European governments abandon their drive to create a single currency: Would anything change in people's lives? How different would a euro-less world be?

Such questions are naturally boiling up around the sudden rocky disputes between France and Germany, but answers are difficult to find, at least in any systematic form.

"Any official study of that possibility is forbidden by my government because of fears that it could become a self-fulfilling prophecy," a French government planner said.

When the hypothetical possibility was put to a score of economists and political analysts in and out of government in Bonn, London, Paris and Washington, the experts responded with widely conflicting economic scenarios ranging from rosy unconcern to forecasts of ruinous commercial wars that would wreck the European common market and revive trade barriers.

But the political consequences were seen as profoundly destabilizing by almost all the experts and officials. Collapse of the planned monetary union would skew or even reverse the momentum toward closer European unity, they said, exposing the Continent to the tensions arising from national ambitions and fears and perhaps tempting the United States or even Russia to start playing off some European countries against others.

"It could be a fatal setback after Europe's failure in Yugoslavia," a top German policy maker said. "Since Europe is not a political actor, people are wondering what is it good for."

The deepest purpose of monetary union, he continued, "is to catalyze a European core and show that European integration is no longer reversible."

"Our big challenge is to reassure the new democracies that Europe is going to be there and include them, and getting the currency is the only way that we can credibly show that we can handle expansion," the German official concluded.

That is what Chancellor Helmut Kohl has in mind in taking the argument to extremes and saying that the euro amounts to a choice, ultimately, of war and peace for Europe.

The push toward a single currency, essentially an economic operation, has always been rooted in a set of political goals. By welding the French and German economies, monetary union would seal a fault line that twice in this century engulfed the Continent in devastation. By inextricably binding the two countries together, it would create a stable core for a concentric European equilibrium.

That fear and that vision, the experts said, explains why European leaders have laid their careers on the line for the Maastricht treaty and monetary union — Europe's most ambitious project for decades.

Jean-Paul Fitoussi, head of a think tank in Paris, said that a fiasco with the euro would be a political earthquake in Europe, toppling leaders in many capitals and opening breaches for extremists such as Jean-Marie Le Pen of France's National Front.

His and similar groups in Europe thrive on nationalism, racism and protectionism, but their appeal is thwarted by movement toward European integration.

Now, that momentum is embodied in the euro. "For a lot of good economic reasons, it may not be the ideal vehicle for pursuing European integration, but the Europeans have tried everything else without any luck," said Richard Cooper, a Harvard economics professor who was a senior Carter administration official.

Attempts to align exchange rates got a sputtering start in the 1960s, only to be shattered by the 1973 oil crisis and European inflation. Cobbling together a new European approach took 10 years of work by French and German leaders. Perhaps the decisive moment came in 1983, when President Francois Mitterrand of France chose to subordinate his leftist, nationalist and inflationary policy to budgetary austerity and financial orthodoxy in order to save the special relationship with Germany and not derail European integration.

That shared French-German approach culminated at Maastricht, which adopted the blueprint of a new European edifice with a single market as its floor and a single currency as its roof.

The euro, always controversial, had acquired irresistible political luster since German reunification. A single currency acquired a new image as the golden threads which could restrain the giant Gulliver in Europe's midst.

In economic terms, experts were sharply divided about how Europe would fare if the euro is aborted.

"Ironically, it probably doesn't really matter now because the euro has already succeeded," said Philip Gordon, an American analyst at the International Institute of Strategic Studies in London.

The euro's main purpose, he contends, was to help Paris and other inflation-prone capitals wean their economies from their postwar habit of offsetting wage hikes not with increased productivity but with devaluation and inflation. A reputation for soft money meant that French international borrowers had to pay a premium on top of interest rates.

To improve their long-term competitive position, French elites concluded that Paris needed to prove its policy discipline. The euro was the ideal vehicle because it meant pegging the French franc to the Deutsche mark and raising interest rates whenever inflation threatened.

It worked. After more than a decade, "cheaper borrowing is available for France," Mr. Gordon pointed out.

Now, Italy and Spain have embraced this orthodoxy, so the inflation-devaluation cycle has been broken, presumably, he said, even without the euro, at least in the short run.

This rosy outlook is dismissed in Europe. True, officials said, governments have become wary of importing inflation by devaluing their currencies. But that risk no longer exists in the current deflationary climate.

Mr. Fitoussi, who has often called for more flexibility in France's approach to the single currency, agreed that "with no euro, there will be an overwhelming incentive for countries to engage in competitive devaluations and even trade wars."

Protectionism would threaten Europe and its trading partners in America and Asia, officials said, but as chaos spread in the European economy, a Deutsche mark zone would emerge, extending the writ of the Bundesbank.

That prospect was exactly what France sought to preempt by supporting a European Central Bank, where the German voice could be diluted, to manage the future euro.



Pascal Lopez-van der Pluym

A mother and her children strolling in front of a banner for the European Union summit in Amsterdam.

REALITY: *Europe Is Crumbling*

Continued from Page 1

But much bigger problems are just around the corner. Between now and July 10, German leaders must either slash billions in government spending or acknowledge that they cannot reduce their budget deficit to the strict limits required to create the euro.

Most experts are convinced that Mr. Kohl has already lost the budget battle, and new estimates circulating in Bonn indicate that the deficit next year could rise by 30 billion marks, or $17.4 billion.

That leaves Mr. Kohl with a wrenching choice: delay the euro, which would probably kill it and deprive him of a coveted spot in history, or soften the tough standards that were supposed to give Germans enough confidence to trade in their rock-solid Deutsche marks for the untested euros.

"What we have is political actors who failed to anticipate what was going to happen," former President Valery Giscard d'Estaing of France said in an interview. "They are being forced not by the goal of the euro but by the inevitability of the euro."

Mr. Giscard d'Estaing said French leaders of all stripes still needed to adjust their thinking.

"Mr. Chirac and Mr. Jospin both belong to the traditional school of French thinking, which puts emphasis on a large role for the state in leading the economy," he said.

But those ideas are untenable at a time when companies can easily move factories and operations to more comfortable countries in which employees are cheaper and easier to hire.

"They have yet to realize that those days are over," the former president said.

Most financial and political experts are still betting that the new single currency will have its debut as planned on Jan. 1, 1999. But the anxieties are growing that the whole project could unravel or that the euro will be a much weaker currency than advertised.

The stakes go well beyond currency speculation. Because countries can qualify for the euro only if they achieve low inflation and relatively low budget deficits, nations from Spain to the Netherlands have been slashing social programs and reinventing themselves along lines that would make American free-market advocates blush.

In many ways, the process has produced a debate in Europe over how European countries reshape their economic models and over the role of government. Highly centralized models, like France, are viewed as costly and uncompetitive. Leaner, free-market models, like Britain, are viewed as healthy but austere.

"There is an absolute division about how Europe should progress," said David Battman, an economic consultant in Brussels. "The euro debate is merely bringing this to a head."

Supporters fear that the process will stall if the euro collapses or if the principles get seriously watered down. The budget-cutting medicine that the plan for the euro requires is exactly what Europe needs, experts say.

Meanwhile, unemployment in most European countries continues to run at more than 10 percent, and voters are losing patience with talk about euros and cuts in government benefits.

Europe Ponders Success of Dutch 'Third Way'

By Marlise Simons
New York Times Service

AMSTERDAM — The Dutch are used to living with a potent mix of neighbors, whom they often see as more assertive, pushy or flamboyant than themselves. They watch the mighty Germans, the elitist French and the insular British and sometimes get a little sour about being ignored while others drive European affairs.

So, it is with some bemusement that the Dutch suddenly find themselves upheld as a model for the rest of Europe.

In the weeks preceding the meeting of European leaders that begins here Monday, a procession of foreign economists, sociologists and labor union and political figures have visited here, seeking to understand what has kept the Netherlands so stable, prosperous and curiously without strikes.

As Europeans wring their hands over how to change and how to deal with the apparent choice between what some see as heartless American-style modernizing of their economies and preserving the old European social safety nets, many people say the Dutch appear to have found a "third way," one combining an open, vigorous market with generous social benefits and a measure of social justice.

Critics point to the high percentage of temporary jobs, social benefits they say are still too expensive and problems resulting from a more competitive market. But for the last five years the Dutch economy has grown faster than those of Britain, France and Germany, and unemployment, at 6.5 percent, is well below that of the large European countries.

Skeptics also say the Dutch "model" still has a way to go before it has trimmed the unaffordable fat from the welfare state. Some 800,000 people in a population of 15 million are at home, drawing generous disability pay for mild or vague ailments, including "stress." Still, that is 100,000 fewer than three years ago, when the government tightened the rules.

The Dutch example has begun to gain wide attention in Europe with the approach of next year's deadline for the strict criteria countries must meet if they want to join the common European currency. Countries aspiring to use the currency, called the euro, have been forced to make economic reforms and impose austerity that has triggered social unrest and antagonized voters. The Amsterdam meeting is expected to sign a pact that is another prelude to guaranteeing the euro's stability.

The Dutch say they have invented nothing new by keeping down wages, inflation and interest rates and by loosening the rules for hiring and firing people and for opening new businesses.

But what is different here, often astonishing foreign pundits and investors, is the painstaking consensus-building that has avoided social unrest and made the changes possible. In contrast to the convulsions of bigger neighbors like Britain, France and Spain, the pragmatic Dutch have worked on avoiding ideological confrontations and for more than a decade have sustained a pact between left and right. As long as labor unions accepted financial discipline, management has not demanded the dismantling of the welfare state as the price of investing and creating jobs.

In May, the Organization for Economic Cooperation and Development, the Paris-based think tank of the industrialized nations, noted the Dutch success, saying the country had found a way to tackle unemployment and introduce reforms "through a consensual process, involving the social partners and clearly not threatening social cohesion."

Now in the spotlight as the host for the European meeting, Prime Minister Wim Kok is a discreet and skillful negotiator. He is widely credited as the chief architect of the "social pact" between government, employers and labor unions that has ensured Dutch stability.

As the country's top labor leader, he helped launch the pact in 1982 under which labor federations kept to wage demands of 2 percent a year, in exchange for shorter work weeks and job creation. He stuck to austerity as the Labor Party's finance minister from 1989 to 1994, the year he became prime minister as leader of a left-right coalition.

The Dutch say their achievements have come from tough and continuing negotiations, not from a miracle recipe. As Cees Oudshoorn, an official at the Economics Ministry, put it: "The Dutch miracle, if it exists at all, is that our labor unions could be convinced to rally around a free-market economy."

Signs of a flourishing market abound. On the outskirts of Amsterdam and around Rotterdam, the world's busiest port, new office parks have drawn foreign companies. The normally spendthrift Dutch consumers are driving up sales in stores, which only last year got permission to stay open after 6 P.M. and on Sundays.

To draw more people, especially women, into the work force, the government has deregulated working hours, allowing previously unthinkable part-time and temporary contracts. This has turned employment agencies into a growth industry, now employing more than 12,000 people.

SUMMIT: *Cautious Optimism Germany and France Will Find a Compromise on EU Stability Pact*

Continued from Page 1

Luxembourg officials said Mr. Juncker, whose government will take over the EU presidency next month, had offered to hold a special summit meeting on jobs in October to help address the French concerns.

Finance Minister Dominique Strauss-Kahn of France also said the leaders would "find a solution on Monday."

The deal would have France join its partners in endorsing a stability pact committing EU countries to permanent budgetary restraint, an essential German condition for launching the single currency, while Germany would bow to the demands of France's new Socialist government for new commitments to cooperate on employment policy.

Union officials said they fear that a failure to conclude the stability pact at the summit meeting would fan doubts about a delay or collapse of monetary union and trigger turmoil on financial markets.

Indeed, it was a testament to the pact's importance that the debate was overshadowing what was to have been the meeting's centerpiece: conclusion of a new EU treaty to enable the bloc to expand into Eastern Europe.

"The stakes are very high," said Yves-Thibault de Silguy, the EU commissioner for monetary affairs.

While fear of failure was pushing France and Germany toward compromise, both sides remained divided Sunday on whether the new employment commitment would be anything more than rhetorical. Tough comments from both sides of the Rhine indicated that whatever agreement might emerge from the summit meeting, it was unlikely to resolve the fundamental French-German struggle over economic policy.

French officials continued to press for some way to pump new money into 14 major European highway and rail infrastructure projects, which include a high-speed train linking Amsterdam with Paris, London and Cologne. Those projects were the brainchild of Jacques Delors, the former European Commission president and close adviser to Mr. Jospin, but they have languished in obscurity in recent years as EU governments have cut their budgets to prepare for monetary union.

"There must be something concrete," a French official said.

Mr. Jospin raised the issue at a meeting with Mr. Kohl on Friday but was rebuffed, with German officials seeing the projects as merely an opening French bid to reflate Europe's economy with public spending.

On Sunday, senior German politicians opened a concerted verbal attack that served both as a preemptive warning to the French and an attempt to reassure their own voters, who remain skeptical about the worth of the planned euro.

Finance Minister Theo Waigel said Germany was ready to step up coordination of broad economic and employment policies with its EU partners but would reject any proposal for new public spending. "We will stick to our position that there will be no money flowing from Germany for additional jobs-creation programs," he said.

Edmund Stoiber, the Bavarian premier whose rigid monetary orthodoxy poses the biggest political constraint on Mr. Kohl and Mr. Waigel, stressed that the Deutsche mark was "inseparably" linked to Germany's postwar recovery and that anyone who sought to replace it with a weak euro "would destroy the public's confidence in politicians and damage the democracy in Germany."

Monetary union "will begin on Jan. 1, 1999, as a stable union, or it must be postponed, and until such a time as the preconditions are in place," he said.

Mr. de Silguy suggested that a possible compromise could involve new spending commitments for the projects by the European Investment Bank, the Union's leading development bank. But he ruled out any increase in the EU budget as out of step with the fiscal discipline required for monetary union.

■ Dini Says Conflict Will Be Resolved

Alan Friedman of the International Herald Tribune reported from Amsterdam:

The Italian foreign minister, Lamberto Dini, said he was confident that differences between France and Germany would be resolved.

"There will be an agreement and we will go ahead," Mr. Dini said Saturday. "There will be a deal."

Mr. Dini also suggested that there would be room for a flexible interpretation of the Maastricht targets on government deficits.

"We should not worry if at the time of decision-making next year the number is 3.1 or 3.2 percent. We should be concerned about the overall evaluation that government heads will make, otherwise our government leaders would not be very intelligent," he said.

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THE WORLD'S DAILY NEWSPAPER

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Turkey's Generals

Turkey's restive generals are pressing Prime Minister Necmettin Erbakan of the Islamic Welfare Party to leave office in the next few days. Their actions amount to a backdoor coup against parliamentary democracy. The generals claim to act in defense of secularism and Turkey's Western orientation. But their intervention will only damage Turkey's reputation in the West.

Last week the army increased the pressure by taking its case against Mr. Erbakan to prosecutors, intellectuals, journalists and civic leaders. This campaign was backed by an implicit threat to use force unless Mr. Erbakan yielded office to his secular coalition partner, Tansu Ciller.

The generals seek to enforce a deal Mr. Erbakan made last year with Mrs. Ciller. Turkey's constitution does not recognize such prearranged alternations. If Mr. Erbakan resigns, President Suleyman Demirel should decide whether his successor would be Mrs. Ciller or a caretaker empowered only to organize new elections.

Mrs. Ciller was the politician most responsible for Mr. Erbakan's originally coming to office. Welfare won just over 20 percent of the votes in Turkey; more than any other party. But without support from Mrs. Ciller's True Path Party, it could not have assembled a majority.

In a multiparty system, the front-running party has no guaranteed claim to win the prime minister's job if the party fails to win a parliamentary majority. In Mr. Erbakan's year in office, he has made serious foreign policy blunders, like trips to Iran and Libya that seemed designed to provoke Turkey's main military ally, the United States.

The Erbakan government has also made it easier for Islamic groups to display their faith and promote their teachings. That has brought unwarranted fears among many secular Turks that their country is about to turn into another Iran or Afghanistan.

But in a democracy, it is not the army's role to push prime ministers out of office. Turkey's constitution makes the army the official guardian of secularist traditions. The military has seized on this role to stage three coups since 1960. Each one has weakened Turkish democracy.

The coups have also emboldened the army to block political solutions to the unrest among Turkey's Kurdish minority and to tensions with Greece over Cyprus. Military influence has also aggravated Turkey's severe human rights problems.

The military has provided no answers to the country's underlying political problems, which include a narrow, personality-based party system and a chronic susceptibility to corruption. The army's latest maneuvers against Mr. Erbakan can only reinforce this damaging tradition.

—THE NEW YORK TIMES.

Obsession Turned Inward

Timothy McVeigh's violence has ended, and he now faces death by lethal injection. But the violence of the militias that inspired him has probably not been extinguished. The militias are different from anything that preceded them because they gather not to take out their rage on Communists or minorities, but to wage war against a government they consider treasonous. In recent years militia groups have assaulted, harassed and threatened scores of government officials.

It is difficult for most Americans to take seriously a group of people whose targets include America's county clerks and whose members hold that manufacturers' labels on the backs of road signs actually point the way to the nearest concentration camp. But militia ideology has already provoked the Oklahoma City bombing, the worst act of terrorism ever to take place on American soil. Since that act, the militias have continued to grow, and the possibility of more terrorism is undimmed.

Some counties in America can no longer enforce their land, tax and weapons laws, unwilling to risk that an employee might be attacked by militia members. Fire fighters say they cannot fly helicopters over land owned by certain militia members for fear they will be shot down.

In at least 23 states, militia members have filed phony liens against local officials. Government employees are so vilified in some communities that no one will sit with them in church.

The militias are a particularly insidious strain of the American viruses of paranoia and violence. They echo the white supremacy of the Ku Klux Klan and the conspiracy theories and gun obsessions of the John Birch Society. They draw on the American icon of the man who wants to be left alone to live by his creed, taking ideas and leaders from the rural Posse Comitatus movement that reached its peak during the farm crisis of the 1980s.

The militias were energized by the 1992 siege of the fugitive Randy Weaver's farmhouse, in Ruby Ridge, Idaho, in which Mr. Weaver's wife and son were killed by federal agents. A year later came the attack on the Branch Davidian compound in Waco, Texas, and the subsequent fire that killed about 80 cult members. These events, both deplorable uses of excessive force, convinced some Americans that the government was determined to take away their freedom.

Then came the Brady Bill, which mandates a waiting period for handgun buyers. Gun control was people control to militia members, some of whom believed they could only be safe from tyranny if they had more firepower than the army.

If these events had occurred in the 1980s, they might not have galvanized people like Timothy McVeigh. But with the end of the Cold War, it may be that conspiracy theories once obsessed with Communism turned inward toward the American government. The militias, most of which operate in small, autonomous groups, now also have the Internet to propagate theories and plans.

State officials say that the Oklahoma City bombing has not slowed militia activity. While some moderates left the movement, revulsed, Mr. McVeigh has become a martyr for the hard core, many of whom believe the bombing was carried out by the government to justify a crackdown on American liberty. Terry Nichols, also charged in the Oklahoma City bombing, has closer militia connections. His trial may provide the faithful with an even more inspiring cause.

The bombing has not spurred the political action that it should.

Congress has held only two days of hearings on the militia movement, one in each house. Some members of Congress, such as Representative Helen Chenoweth, Republican of Idaho, are sympathetic to militias. She has introduced what she calls a "civil rights" bill requiring federal law enforcement officers to get the written consent of local agencies before enforcing the law.

Some local and state legislatures in the West have supported the militias. Other legislators at all levels have kept silent because they do not want to alienate more mainstream groups with militia sympathies, such as the National Rifle Association.

Those threatened by the militias need better security and more laws at the national and state level making it easier to prosecute people who terrorize public officials. The government must also show restraint in dealing with potentially bloody confrontations. The Federal Bureau of Investigation demonstrated welcome patience during the 81-day Freemen standoff in Montana last year. The peaceful resolution of that showdown deprived militia members of a new cause.

The Freemen standoff also showed the importance of public condemnation of violence. The Freemen found little support in surrounding communities. While militia forces thrive on government attacks, they cannot withstand the disdain of their neighbors. The militias are so widespread because they ostensibly draw on ideas strongly rooted in American history. But even citizens with sympathy for those ideas need to distinguish between their peaceful and their violent expression.

—THE NEW YORK TIMES.

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Internet address: http://www.iht.com E-Mail: iht@iht.com

*Editor for Asia Michael Richardson, 5 Canterbury Rd., Singapore 0511 Tel 65-472-7788, Fax 65-274-2334
Mng. Dir. Asia Rolf D. Kruenpuhl, 50 Gloucester Rd., Hong Kong Tel 852-2922-1188 Fax 852-2922-1190
Gen. Mgr. Germany T. Schlüter, Frankenstr. 15, 60323 Frankfurt/M Tel +49-69-97129510 Fax +49-69-97129530
Pres. U.S. Michael County, 850 Third Ave., New York, N.Y. 10022 Tel. (212) 752-3890, Fax (212) 755-8785
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China Wants an Even More Successful Hong Kong

By David K.P. Li

HONG KONG — China wants Hong Kong to be even more successful in the future than it has been under British rule. China could have taken the territory back from Britain at any time over the last 50 years — but it did not. China could have demanded the return of Hong Kong with no guarantees about maintaining its current system — but it did not.

China wants to be a respected member of the international community. Like Germany not so long ago, it wants to be reunited. At the end of this month, China will be reunited with Hong Kong. On Dec. 20, 1999, it will be reunited with the nearby Portuguese-administered territory of Macau. At a future date, the Chinese mainland wants to reunite with Taiwan.

To win respect internationally, and to gain the confidence of the people in Taiwan, China has to ensure that Hong Kong continues to prosper. The economic success of the territory can then serve as a goal for the whole of China.

If, on the other hand, Hong Kong experiences less success than it enjoyed under the British, China would be humiliated. The implication would be that foreigners can run China better than the Chinese. It would be the ultimate loss of face.

It would also be a serious loss of money for China, which has a great deal invested in businesses and real estate in Hong Kong. Britain, too, wants Hong Kong to do well. It has many citizens and companies here. The same applies for Germany, the United States, Japan and many other countries with extensive interests in Hong Kong.

The disagreements between Britain and China over Hong Kong have arisen because the two sides have different views of what is best for Hong Kong. In the last five years, Britain introduced some significant changes to Hong Kong's political structure. These included a new system of elections and a bill of rights.

To Britain, it was a matter of honor to introduce these changes, even though it had only a few years left to rule and lacked Beijing's consent. For that reason alone, given China's extreme sensitivity to foreign interference, it is a matter of honor for China to reverse the changes.

The symbolism is powerful. But the practical effect of all this is almost certain to be insignificant.

There were no fully democratic elections to the Hong Kong legislature until two years ago. Former U.S. Senator Sam Nunn made this point very well in a recent speech. "Hong Kong was seized by force from a weak China. The British ruled Hong Kong as a British colony — not a democracy," he said.

After the transfer of sovereignty to China, Hong Kong will develop representative government under the Basic Law, which is often referred to as the mini-constitution of Hong Kong because it codifies the rights of the territory and its people. Elections for a new legislature will be held in the first half of 1998. China could not — on principle — have allowed Britain to implement such steps unilaterally. That would have amounted to foreign interference.

China also wants some changes to Hong Kong's bill of rights. This will not affect the long-standing traditional freedoms of Hong Kong's people — those are protected under the Basic Law. Article 39 of the Basic Law states that the two main United Nations covenants on human rights will continue to be applied to Hong Kong after the handover. They are the International Covenant of Civil and Political Rights, and the International Covenant on Economic, Social and Cultural Rights. But the British administration of Hong Kong wrote the bill of rights in such a way as to make it override all other Hong Kong laws. China objects to this unprecedented status.

These disagreements have been unfortunate. Britain's changes were unpopular among some in the Hong Kong community; China's decision to reverse them is unpopular among others. The international media have highlighted these disagreements.

What they do not point out is that, in virtually all other respects, the transfer of sovereignty is going very smoothly. The two countries have agreed on a wide range of issues that will enable 6 million people to carry on with their lives as if nothing had happened.

It is true that there has been uncertainty at times since 1982, when China and Britain started negotiations on the handover and Hong Kong's future. Today, however, there is a real sense of excitement in the territory. Far from seeing the transfer as undesirable, people are anticipating new and greater opportunities. Hong Kong is excited and confident about the future because it has already reunited economically with China, the world's greatest potential market.

To win international respect, and to gain Taiwan's confidence, Beijing must make sure Hong Kong prospers.

The reforms introduced under Deng Xiaoping have increased Hong Kong's prosperity just as much as China's. Hong Kong is the service center linking an increasingly powerful Chinese economy with the rest of the world. We are in an enviable position. Investment in world-class telecommunications and new port and airport facilities is providing us with the best infrastructure in the region.

Moreover, Hong Kong is the capital city of the "overseas Chinese." This community forms a global network of 60 million entrepreneurs who, if they were a country, would have the same gross domestic product as China itself.

In both the United States and Britain, the overseas Chinese have the highest household income levels and educational levels of any ethnic group. Throughout Asia, they are especially important economically. Increasingly, in some places, they are making a contribution to politics.

Using Hong Kong as their headquarters, the overseas Chinese are the main investors in China. For them — and for everyone doing business in Hong Kong — the change of sovereignty will further strengthen the territory's position. It will deepen our involvement in the development of China.

Already, Hong Kong's people are helping Chinese organizations adopt modern international financial, accounting and legal practices. Just as China today draws heavily on Shanghai for its senior leadership, so in the future will it be able to draw on Hong Kong. For the first time, the young people of the territory can look forward to the opportunity to help develop an entire nation.

I believe they will have an even more important role. They will be able to help bring China and the West closer together. The relationship between the two civilizations sometimes seems to be going in the wrong direction. Many Chinese strongly believe that the West is trying to contain their country economically. Some in the West fear China's influence in world politics, which is bound to grow.

If we fail to build trust and understanding between China and the West, the repercussions for the whole world could be serious. But the world will benefit if we respect one another as equals. Everyone will gain if we choose partnership and cooperation.

The writer, chairman and chief executive of the Bank of East Asia Ltd., was a vice chairman of the committee that drafted Hong Kong's Basic Law before it was promulgated by China's National People's Congress in February 1990. He contributed this comment to the International Herald Tribune.

He Knew Watergate — and Whitewater Is No Watergate

By Richard Ben-Veniste

WASHINGTON — This week is the 25th anniversary of the Watergate burglary, but this inglorious moment is hardly ancient history. We Americans are living daily with the legacy of Richard Nixon and the men who comprised his inner circle.

Their gross misuse of power spawned a virus that lingers on, and its mutant strains have infected the ways in which the Congress, the press, the courts and the White House now process allegations of wrongdoing.

Of course, the most important and enduring lesson of Watergate is that our system was strong enough to purge itself of a president who had so abused the public trust. But underneath that shining reaffirmation of our constitutional democracy is Watergate's scar tissue, principally the diminution of the credibility of the office of the presidency.

I see the past and present circumstances from the vantage point of having served as a senior member of the Watergate Special Prosecutor's team that investigated and prosecuted the Watergate cover-up case against President Nixon's aides and, more recently, as the chief minority counsel to the Senate Whitewater Committee.

In my view, there can be no legitimate comparison between Watergate and Whitewater. For those who may have forgotten the details, and for younger readers who weren't alive during Watergate, a brief review of the facts might be helpful.

The break-in and burglary of the Democratic National Committee's headquarters at the Watergate office building in Washington on June 17, 1972, was not the isolated and loopy "third-rate burglary" portrayed by the Nixon administration. It was a significant violation of law authorized by Nixon insiders at the highest level — if not the president himself — to continue illegal electronic eavesdropping and photographing of confidential records.

The abuse of presidential power is nowhere to be found after four years of investigating the Clintons.

But the Watergate break-in was just one link in a chain of abuses that Nixon Attorney General John Mitchell aptly dubbed the "White House horrors."

These included the break-in at a psychiatrist's office looking for information that could be used to smear Daniel Ellsberg, who had exposed the secret government history of the Vietnam War known as the Pentagon Papers; the misuse of federal agencies to punish those on the president's "enemies list"; the illegal wiretapping of journalists and members of Mr. Nixon's own administration; the deliberate falsification of government documents to enhance Mr. Nixon's political agenda; the proposed firebombing of the Brookings Institution as a diversion for the theft of records; the surreptitious surveillance of political opponents, and the willingness to use thugs to brutalize political protesters.

The subsequent cover-up was not an irrational response to an insignificant, stupid break-in. Rather, it became necessary to counter the threat that the administration's widespread abuses of governmental authority would be exposed once investigators began asking questions.

As the cover-up unraveled, facts emerged about the extent of Mr. Nixon's willingness to abuse his power to prevent the truth from coming out. Mr. Nixon directed the deputy director of the CIA to tell the FBI, falsely, that the country's national security would be jeopardized by a full investigation of the money trail left by the Watergate burglars.

Acting on the president's instructions to lie under oath, several top advisers committed perjury, including Mr. Mitchell, who had been the nation's chief legal officer, and Mr. Nixon's chief of staff, H. R. Haldeman.

There was more. Offers of presidential clemency were extended to certain members of the burglary team, and all were paid significant sums from a secret slush fund — financed by campaign contributions, controlled by the president and Mr. Haldeman and delivered by the president's personal attorney.

Transcripts and summaries of illegally tape-recorded conversations at Democratic National Committee headquarters, as well as other incriminating evidence, was burned and shredded. And, of course, there was the erasure of 18½ minutes of a subpoenaed tape recording of a conversation between President Nixon and Mr. Haldeman three days after the break-in.

Finally, Mr. Nixon's mendacity was dramatically exposed by his own words on other White House tape recordings, which provided irrefutable proof that he had lied repeatedly to the American people about his involvement in Watergate.

Today a number of factors combine to produce a political climate skewed by a lack of proportionality. Despite the absence of any credible allegation of misuse of presidential power in any way remotely resembling that of Watergate, we have a Congress prone to making blunderbuss demands for whole categories of White House documents, relevant or not.

Mr. Nixon's explicit tape-recorded order to "stonewall" has helped create an environment in which there is always a suspicion that the president is not being forthcoming — no matter how onerous, invasive or novel the demand for information. This dragnet approach, now routinely applied, was never attempted in Watergate, nor would it have been countenanced by the courts.

This lack of proportionality seems to infuse the press, too. Whether it is the creeping tabloidization of America, or changes in the economics of the news business or simply an instinct for pack journalism, there appears to be a decline in critical judgment used to evaluate the importance of a story.

Rather than seeing the media as pro-conservative or pro-liberal, pro-Republican or pro-Democrat, I see today's journalists as profoundly and uncritically pro-scandal.

The use of congressional committees and independent counsels to conduct investigations of the executive branch has its evolutionary basis in Watergate, but with a crucial difference. The Watergate wannabes and political revisionists who labor to equate Whitewater with Watergate miss the fundamental point of both affairs.

The abuse of presidential power so central to the Watergate scandal, and which truly threatened our civil liberties, is nowhere to be found after four years of investigating the Clintons. Watergate was about what Mr. Nixon did to the presidency: Whitewater is about a failed land venture that went south before Bill Clinton was even elected.

There is, however, one enduring strain of political virus whose recent outbreak is reminiscent of Watergate: the corrosive effect of raising ever-increasing amounts of money to fund political campaigns.

The post-Watergate laws reforming campaign financing were long ago evaded by creative minds seeking loopholes and competitive advantage. Clearly, there have been abuses by both parties. But unless there is a genuine legislative agenda to reduce the demand for these enormous sums of money, the public may regard the upcoming hearings on campaign finance as just another round of partisan mudslinging, rather than a true effort at reform.

Let us use the memory of Watergate to roll up our sleeves and do the work necessary to fix what is so clearly broken.

The writer was chief of the Watergate Task Force of the Watergate Special Prosecutor's office. He contributed this comment to The Washington Post.

The Special Genius of Scotland

By Karl E. Meyer

NEW YORK — It is a hopeful augury for Britain, and indirectly for all of us, that Scotland and its offspring are again making history. Not long after an Edinburgh research team succeeded in cloning the first grown animal, the Edinburgh-born Tony Blair led the Labour Party back to power.

Most fittingly, Mr. Blair has announced that his new government is giving highest priority to improving education.

Scotland is a classic example of the difference that better schools can make. Historians reckon that for its size (about 5 million people) Scotland has spent more on education in the past than any European country, with dazzling results. Scottish scientists gave the world insulin and penicillin (John Macleod and Alexander Fleming), discovered the cause of malaria (Ronald Ross) and transmitted the first television image (John Logie Baird, 1925). All but Mr. Baird won Nobel Prizes.

This fecundity has a long history. In the 18th century, Edinburgh and Glasgow were the crucibles of what became known as the Scottish Enlightenment. One of its luminaries, Adam Smith, described education in 1776 as a basic civil right, remarking in "The Wealth of Nations" that a person "without the proper use of the intellectual faculties" was "mutilated and deformed."

To be sure, the system Smith favored was meritocratic rather than democratic, but Scottish schools were generations ahead of those elsewhere. The philosopher David Hume was unusual among Enlightenment notables in being born rich. Most of his peers rose from the middling rungs of a society open to ambitious males with pluck and brains.

"I was born a Scotsman, and a bare one," wrote Sir Walter Scott. "Therefore I was born to fight my way in the world."

The seeds were planted by Protestant reformers like John Knox, who saw education as a necessity in his Godly Commonwealth so humble communicants could read the Bible. By 1750, literacy was near universal in the Lowlands, and overall standards so high that Robert Burns, the son of a poor farmer, attained fame as a poet without attending an elite grammar school or college.

Scottish universities were the focus of special pride. Well into the 19th century the Scots supported four universities to England's two, Oxford and Cambridge. The oldest was St. Andrews (founded in 1411), followed by Glasgow (1450), Aberdeen (1494) and Edinburgh (1582). From these and innumerable smaller academies came the engineers, teachers, preachers and soldiers who streamed to the Americas and every corner of the British Empire.

How did this remote corner of an offshore island throw off such energizing particles? In addition to Knox's teachings and the dismal climate, there is this persuasive explanation, offered by Sir Hugh Lyon Playfair, the provost of St. Andrews in the 1840s: "Education in Scotland is the essential source of its prosperity, for it has scarcely any natural sources of wealth."

None of this is new to Mr. Blair, a graduate of Fettes College in Edinburgh, an outstanding private secondary school. He knows British standards have slipped and vows to raise them. He would do us all a favor by promoting some friendly rivalry on this score with his fellow Oxonian in the White House.

The New York Times.

IN OUR PAGES: 100, 75 AND 50 YEARS AGO

1897: Taking Hawaii

WASHINGTON — Hawaiian annexation was discussed at length at the Cabinet meeting today [June 15]. The result was that the president approved the draft of an annexation treaty which has been negotiated by Assistant-Secretary Day and Minister Hatch. In all probability the instrument will be signed by Secretary Sherman and Minister Hatch tomorrow. If this is done the treaty will be transmitted to the Senate for its action without delay.

1922: A Psychic Aid

ATLANTIC CITY — After attending and participating in a wireless broadcasting demonstration here yesterday [June 15], Sir Arthur Conan Doyle announced that he was convinced that wireless would greatly aid all psychic investigations in future and that he had given orders for a set, to be installed in his home in England.

1947: Soviet Reaction

LONDON — Great Britain's Ambassador to Moscow was instructed today [June 16] to seek Soviet views on the Marshall plan for preparation of a European economic recovery program to be backed by the United States. At the same time, however, the American proposal was attacked by the Moscow newspaper "Pravda" as "interference in the domestic affairs of other countries." The denunciation of the American proposal from "Pravda" today was the first reaction of any kind from Moscow since Mr. Marshall's offer in a speech at Harvard University ten days ago. While not unexpected, nevertheless the "Pravda" article did strike observers here as somewhat less outspoken than had been anticipated.

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LANGUAGE

Adultery and Fraternization: Who's What

By William Safire

WASHINGTON — Every scandal has its own lexicon. There stood Kelly Flinn, Air Force first lieutenant, pioneer female B-52 pilot, accused of *adultery* and its coverup. "How can they accuse her of *adultery?*" asked a colleague. "She's single. The married guy was the *adulterer.*"

Yes and no. The noun *adultery*, which appeared in Chaucer's "Canterbury Tales," comes from the Latin verb *adulterare*, "to corrupt," from which we also get *adulterate*. (It's not the root of *adult;* that's from *adultus*, past participle of *adolescere*, "to grow up.")

The word is poetically defined by the OED as "violation of the marriage bed." Other dictionaries use variations of "voluntary sexual intercourse between a married person and someone not his or her spouse." In general speech, *adultery* is "an extramarital affair" or, more informally, "playin' around."

"Whosoever looketh on a woman to lust after her hath committed *adulterie*," reads a 1590 translation of Matthew 5:28. But the act lost its male identity and was dramatized by Nathaniel Hawthorne in his 1850 novel, "The Scarlet Letter"; the "A" for *adultery* was "embroidered and illuminated" on Hester Prynne's bosom as a punishment.

Under most religious law, the married participant is an *adulterer* and the single one merely a *fornicator.* Under the old common-law rule, however, "both participants commit *adultery* if the married participant is a woman," Bryan Garner, editor of Black's Law Dictionary, tells me. "But if the woman is the unmarried one, both participants are fornicators, not *adulterers.*" Seems unfair; why? "This rule is premised on whether there is a possibility of *adulterating* the blood within a family. Offspring from *adulterous* unions were called *adulterini.*"

What do courts say today? "Under modern statutory law," Garner says, "some courts hold that the unmarried participant is not guilty of *adultery* (that only the married participant is), but others hold that both participants are *adulterers.*" The Armed Services Manual for Courts Martial, Article 134, "*Adultery,*" says that the act has occurred when sexual intercourse has taken place and "the accused person or the other person was married to someone else."

Both participants in an *adulterous* relationship have come to be understood as engaging in *adultery*, no matter which one is married.

All clear? To move on: Lieutenant Flinn was also charged with *fraternization.* Coined in 1611, the verb *fraternize* meant "to agree as brothers," from the Latin *frater*, "brother." In Italy in 1851, the noun was pejorative: "a *fraternization* . . . with the dreaded foreign soldiery." But in 1897, George Bernard Shaw saw it as a verb of peace: "The whole army might . . . realize that they had no quarrel with the enemy and *fraternize* with them."

Some courts hold that the unmarried participant is not guilty of adultery.

During the occupation of Germany after World War II, as the Cold War with the Soviet Union began, the U.S. military and the diplomatic corps issued regulations against *fraternization* with "locals" of the opposite sex. There was to be no "sleeping with the enemy."

In today's sexually integrated armed forces, *fraternize* has developed a new sense. Here's the Air Force regulation: "Unprofessional relationships, especially *fraternization*, erode good order, discipline, respect for authority," etc.

The linguistic problem, long ignored, presses upon us: can women engage in *fraternization*, either with men or with each other? Will the armed services have to amend their manuals to reflect *fraternization* or *sororization?* The gender-language police are letting down the side.

□

"Prime Minister Blair proposes a needless white paper on a freedom of information measure," noted a New York Times editorial about Tony Blair's fast start in office. "This step only invites long delay and bureaucratic *scuppering.*"

The noun *scupper*, from the Latin *exspuere*, "spit out," is, as old salts know, an opening on a ship's side to let water and refuse run out. In the mid-20th century, *scupper* became British underworld slang for "prostitute."

Blind alley. Try the verb, which first appeared in 1885 to describe the massacre by the Sudanese Mahdi of British and Egyptian expeditions led by General George Gordon. The Pall Mall Gazette wrote of "the fierce warriors who *scupper* Tommy Atkins within the lines of Suakin."

From that horrific meaning of "surprised and destroyed," *scupper* cooled down to "defeat, ruin," and in 1957 the Economist wrote of "secret rejoicing in Whitehall if the French Assembly had *scuppered* the common market."

Thus, the New York Times' use of "bureaucratic *scuppering,*" which might have come from a ship's waste chute, is more likely derived from the killing of "Chinese" Gordon (named for crushing the Taiping rebellion of 1863-64) and his compatriots. Historic color abounds when we stop to examine an unfamiliar word.

New York Times Service

INTERNATIONAL

Israeli Court Ends Netanyahu Case

But Leader Drops Planned Trip to U.S.

By Serge Schmemann
New York Times Service

JERUSALEM — The Israeli Supreme Court on Sunday upheld the decision of the attorney general not to prosecute Prime Minister Benjamin Netanyahu or his justice minister in an influence-peddling case, lifting one burden from the embattled government.

But the threat of a major confrontation with American Jews over conversion, plus the increasingly tense impasse in the Palestinian talks and a new rebellion within his coalition, compelled Mr. Netanyahu to cancel a planned trip to the United States.

The Supreme Court's decision effectively put an end to the political fallout from the six-month-old "Bar-On Affair," which developed from allegations that the prime minister had appointed a lawyer named Roni Bar-On as attorney general under pressure from a powerful politician seeking to gain respite from his own legal problems. Mr. Bar-On resigned after less than a day.

After a long, intensely followed investigation, Attorney General Eliakim Rubinstein concluded in March that he had insufficient evidence to indict either Mr. Netanyahu or Justice Minister Tzahi Hanegbi, though he did recommend charges against the politician, Arieh Deri of the religious Shas party.

By a 4-to-1 decision, the Supreme Court rejected petitions demanding that Mr. Netanyahu and Mr. Hanegbi be indicted. The majority ruled that court does not intervene in the attorney general's decisions unless they are "extremely unreasonable." The fifth judge, Dalia Dorner, said she had sought an injunction ordering the state attorneys to show cause for their decision not to indict Mr. Netanyahu.

"This affair is behind us," Mr. Netanyahu declared. "I intend to move forward and to deal now with the problems connected to achieving peace and security and economic prosperity for the state of Israel."

Before that, however, Mr. Netanyahu faced what was shaping up to be a bitter showdown with American Jews over a law proposed by ultra-Orthodox Jews in Israel that would declare only those conversions performed in Israel by Orthodox rabbis to be valid. The law has already passed the first of three readings in Parliament, and is expected to be brought back before the end of the month.

It is this crisis that evidently led Mr. Netanyahu to cancel a trip to the United States for the International Conference for the Environment.

Though the law effectively confirms the unofficial status quo, Reform and Conservative Jews in the United States — about 84 percent of American Jews — view the legislation as a humiliating attempt to relegate them to second-class status within Judaism, and they have responded with fury.

According to Israeli press reports, American Jewish donations to Israeli recipients — about $230 million a year in the past — are down by 10 percent. Defense Minister Yitzhak Mordechai, who is on a tour of the United States, was quoted as being surprised at the depth of rage and humiliation he encountered.

According to ultra-Orthodox politicians, the conversion bill was prompted by a suit filed by Conservative Jews in Israel asking that the Interior Ministry recognize their conversions. The Interior Ministry is involved because conversion to Judaism opens the door to Israeli citizenship under the Law of Return.

For Mr. Netanyahu, the choice is bitter. If he blocks the bill, the religious parties could bring down his government. If he supports it, he risks a serious rift with American Jews.

Another factor that evidently prompted Mr. Netanyahu to forgo the trip to the United States was a worsening of the situation with the Palestinians. Efforts by Egypt to mediate a return to negotiations have so far shown no results, and a new wave of violence has erupted in Gaza and Hebron.



Prime Minister Netanyahu arriving at his office after the court ruling.

BOOKS

THE LAST PARTY: Scenes From My Life With Norman Mailer

By Adele Mailer. 380 pages. $25.00. Barricade.

Reviewed by Bruce Cook

IT'S difficult to know quite how to approach a book like this. When an ex-wife, ex-mistress, sometimes even a widow, writes a book about her former partner, it is often done to give vent to stored anger; Claire Bloom provided a prime example recently in her report on her married life with Philip Roth.

Occasionally, however, there are surprises. When Joyce Johnson, an ex-girlfriend of Jack Kerouac, published "Minor Characters," nobody expected much. What we got was a beautifully written piece of work that is wonderfully evocative of Kerouac and the entire period.

"The Last Party" does not begin to approach the standard set by "Minor Characters." Johnson had at least a novel or two behind her and years of experience as a book editor when she wrote her memoir. Adele Mailer is, or was, a painter and an actress. Evidently the only writing she had done previously was of a one-woman show about her family, which she expanded to include her life with Norman Mailer from 1951 to 1962; the book at hand evolved from it.

Her years with Mailer were tough ones for him, professionally. When they met he was coming off his failed first marriage, yet still riding high on the huge success of his first novel, "The Naked and the Dead." His second novel, "Barbary Shore," was trounced by the critics when it came out in 1952. His third, "The Deer Park," was rejected by the publisher who had contracted for it when Mailer refused to rewrite or remove a passage deemed pornographic; when at last it was brought out by a more daring publisher in 1955, it received more bad reviews than good. He would not attempt another full-length work of fiction for 10 years. How did Mailer, the man, hold up during these difficulties? That is the subject of this book, and the answer is, alas, not at all well.

Right from the beginning, according to Adele Mailer, he wanted, then needed, to be the center of attention, admired for his talent and bold ideas. That meant an endless routine of partygoing — invitations were always forthcoming — and party-giving, which in turn meant lots of drinking (often with disastrous results detailed in the book) and lots of pot smoking, too (with even more disastrous results). Back in the '50s, Norman and Adele Mailer were out there on the very cutting edge of being naughty. They stripped at parties, tried wife-swapping — though Norman didn't like it much when he would look over and find Adele in the arms of another man — even paid to be entertained with a sexual exhibition down in Mexico.

She seems to have matched him drink for drink and toke for toke at those parties. Indeed, though she clearly blames her husband for it, she is quite frank about her own downfall. Never once, she says, did it occur to her that she might be an alcoholic; now, presumably, it has occurred to her, and she has done something about it.

Bruce Cook, the author of a number of books, including "The Beat Generation," wrote this for The Washington Post.

BRIDGE

By Alan Truscott

THE top-seeded team led by Seymon Deutsch of Laredo, Texas, won an unexpectedly easy victory in the final of the international team trials in New Orleans, recently. He and his teammates, Zia Mahmood of Manhattan, Michael Rosenberg of Tuckahoe, New York, Chip Martel of Davis, California, and Lew Stansby of Castro Valley, California, will be one of the two teams representing the United States at the world championships in October in Tunisia.

On the diagramed deal from the main final, both North-South pairs reached four hearts. Jeff Meckstroth, of Tampa, Florida, followed the sequence shown, while Stansby bid three hearts at his second turn and continued to four hearts when his partner bid three no-trump. In each case, the opening lead was the singleton diamond ten, covered with the jack, queen and ace. Both South players led the club king, and both West players made the right decision by holding up the ace and then winning the next club lead.

Both West players knew from the bidding that the declarer was void in spades. Against Stansby, West made it easy by leading the ace and another heart. South was able to draw trumps and lose two diamond tricks, making his contract.

Rosenberg as West did better by returning a club, knowing that his partner would be able to ruff. Zia ruffed dummy's club ten with the heart queen, which South overruffed with the king. Meckstroth's legitimate play at this point was to lead the heart jack, hoping to pin the ten. Instead he tried for a swindle by leading the heart nine.

Rosenberg paused. If he played low and his partner could not win, he would be endplayed by the next trump lead, forced to give South an entry to the dummy. He then made the winning play of a low heart, letting his partner win the 10 and so defeat the game, gaining 12 imps. He reasoned, rightly, that Zia would not have ruffed with the queen a trick earlier unless he held another honor.

NORTH
♠ A K Q 7 2
♡ 4
◇ J 8 3
♣ Q 10 7 2

WEST
♠ J 6 5 4 3
♡ A 3
◇ 10
♣ A J 8 5 3

EAST
♠ 10 9 8
♡ Q 10 2
◇ K Q 6 4 2
♣ 9 6

SOUTH (D)
♠ —
♡ K J 9 8 7 6 5
◇ A 9 7 5
♣ K 4

Both sides were vulnerable. The bidding:

South	West	North	East
1 ♡	1 ♠	Pass	2 ♣
4 ♡	Pass	Pass	Pass

West led the diamond ten.

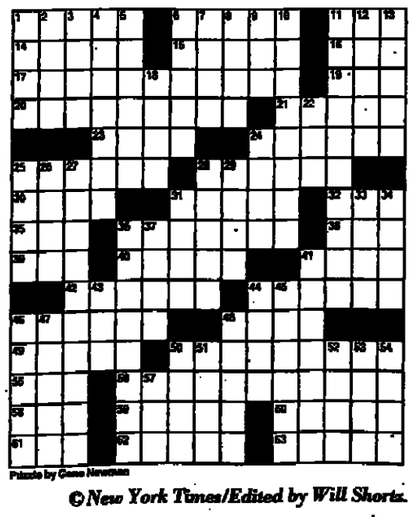
CROSSWORD

ACROSS

1 Musicians copyright grp.
6 King with a golden touch
11 Business fraud monitoring agcy.
14 TV exec Arledge
15 "Bg ——— . . . "
16 Spanish gold
17 Grant vs. Bragg, Nov. 1863
18 Tease
20 Sandwich choice
21 Parkers feed it downtown
22 ——-do-wall
24 Black Sea port
25 Wakeful watches
26 Bush aide John
30 Neighborhood
31 Idiot
32 Chinese food additive
35 On, as a lamp
36 For fun
38 Place for a hole in a sock
39 Winter clock setting in Vt.
40 Union branch
41 Coal stratum
42 "Old ——" (1957 Disney film)
44 Lines of cliffs
46 Slugged
48 Salon job
49 Perth ——, N.J.
50 Unlike Mr. Spock of "Star Trek"
55 Brock or Costello
56 Rosecrans vs. Bragg, Sept. 1863
58 Continent north of Afr.
59 Eagle's nest
60 Listlessness
61 It follows a dot in many on-line addresses
62 Not our
63 Syria's Hafez al ——

DOWN

1 It may have fallen on a foot
2 Manhattan locale
3 Jacket
4 Cather novel "My ——"
5 Small sea bird
6 Millionaire's home
7 Elvis Presley, in the 50's and 60's
8 "I —— it" (cry of success)
9 H.S. math
10 Patrick Ewing specialty
11 Anderson vs. Beauregard, Apr. 1861
12 Attempts
13 Striking snake
19 Good blackjack holdings
22 Poet's dusk
24 —— about (lawyer's phrase)
25 Caesar's farewell
26 Spring bloom
27 Meade vs. Lee, July 1863
28 Kind of energy or flare
29 —— Mountains (edge of Asia)
31 Riot queller
33 Ivory, e.g.
34 Onyxes and opals
36 Night prowler
37 Auctioneer's last word
41 Pago Pago residents
43 D.D.E.'s command
44 —— poor example
45 Sevastopol locale
46 Ancient: Prefix
47 Love affair
48 Fireplace rod
50 Dublin's land
51 1102, in dates
52 Woman in habits
53 Tijuana water
54 Deposited
57 Sneaky laugh sound



Puzzle by Gene Newman

Solution to Puzzle of June 13

J	O	E	S	I	X	P	A	C	K		L	A	D	Y
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L	I	E	G	E		M	A	N	C	I	P	A	T	E
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IRELAND: *A Tide of Immigration Starts to Move the Other Way*

Continued from Page 1

escaped and went to Senegal."

He said he had entered Ireland with a false passport, paying $5,000 for it to a trafficker who flew with him to Dublin.

Few of the African refugees get such personal service from their traffickers, who sometimes pack them in ferries in Wales or hide them in other boats, across the Irish Sea from Dublin, and tell them they are going to Canada.

Mr. Brahim-vell said he was being treated for hepatitis, receives about $140 a week from the government and lives in a single room in an apartment building with many Irish students.

He has witnessed no racism, he said, as say most refugees, reluctant to complain in the country that will decide to keep them or send them away.

A woman just arrived from Kinshasa in Congo calmed her three small daughters in the council office as she awaited the help of a translator who spoke her native Lingala. She said in broken French that she was a political refugee, fleeing the new government in her country.

Two young Russian men in the office said they needed help, that no one would hire them because they had heavy accents and looked foreign.

Once the government catches up with the backlog, the woman would seem to have a chance to gain asylum; the Russians will probably be sent home.

Most of the 1,300 refugees who arrived this year are from Romania, some poor Gypsies, some middle-class political dissenters. The refugees who get into Dublin, most using forged passports, are housed in working-class areas of central Dublin and given about the same amount of money as unemployed Irish receive — $100 a week, which is below the national poverty line.

It is illegal for the refugees to work. Some of the Romanians beg on the street, and some have been accused of shoplifting by merchants.

Last week, two Romanians seeking political asylum were convicted of assaulting an Irish man and given suspended sentences.

Also last week, a Romanian man who was denied asylum after an investigation punched police officers as they tried to put him on an airliner. The crew of the Aer Lingus plane then refused to take him, and he was shipped to Wales in a ferry. The incidents received wide publicity in newspapers and on television.

The vast majority of the refugees, from Romania and elsewhere, have applied for political asylum, and the backlog of unprocessed cases has been building for years. Parliament, in keeping with United Nations agreements, passed a new Refugee Act in December.

But the law cannot be put into effect until the government produces the new regulations, which the Justice Department said would happen in a matter of weeks.

It is the Romanians, especially the Gypsies, who arouse the most animosity here. A taxi driver pointed out a middle-aged man walking along the River Liffey, not far from the Council office.

"I saw that fellow an hour ago, begging," he said. "He had only one leg at the time. He said he was a Romanian refugee. Now I see he has two legs. That's the way they are."

African immigrants have also been the targets of racism.

"We're 99 percent white," said Catherine Winston, the administrator of the council. "It's a culture shock for our people. We have to get used to it."

She said racism directed at the new refugees was a small, but painfully noticeable, part of the problem. Racist slogans are painted on walls in areas where the refugees live, and were regularly painted on the Council's front door on Aran Quay on the Liffey.

Deirdre Clancy, in charge of the Council's legal work, said: "It's quite ironic that Ireland is a country that has sent its citizens abroad for a variety of reasons and should now have difficulty accepting a small number of refugees who seek protection from the violation of their rights.

"And just last week," she continued, "we were commemorating the 1840s famine, that sent millions of our people to America and other places, and President Clinton said how generous and giving the Irish people are."

VERDICT: *Bombing Trial Gives 'Closure' But Questions Remain*

Continued from Page 1

any new leads they may come across.

The coming trial of Mr. Nichols may shed light on some of these issues, particularly if his lawyers are given wide latitude in presenting evidence. No date has been set for that trial, but it is expected to begin this summer or early in the fall.

In the trial of Mr. McVeigh, Mr. Hartzler confronted the possibility that there might be others involved.

Someone may have accompanied Mr. McVeigh to the rental outlet in Junction City, Kansas, where Mr. McVeigh used the name "Robert Kling" to lease the large Ryder truck that carried the bomb, Mr. Hartzler said. All three employees who were working in the rental office that day remembered that there were two men.

But Tom Kessinger, the mechanic who had the most detailed recollection of the men, was not called as a prosecution witness in the trial of Mr. McVeigh because the government did not want to muddy the waters. The defense did not call him because he identified Mr. McVeigh.

Mr. Kessinger's original description to an FBI sketch artist of the square-jawed man who came to be known as John Doe No. 2 turned out to be a description of a man who had come into the shop the next day and who had nothing to do with the bombing.

A man who called himself "Kling" ordered Chinese food delivered to Mr. McVeigh's room at the Dreamland Motel in Junction City late in the afternoon the Saturday before the bombing. But Jeff Davis, the man who delivered the food, swore he had given it to someone who was not Mr. McVeigh.

In a letter written from Arizona two months before the bombing and introduced at the trial, Mr. McVeigh seemed to be telling a Michigan woman that he was not alone.

"Most of the people sent my way these days are of the direct-action type," he wrote, "and my whole mindset has shifted, from intellectual to animal."

In pretrial hearings, one witness said he recalled two men who purchased the fertilizer used to make the bomb. Although one might have been Mr. Nichols, he said, the other man was not Mr. McVeigh.

That testimony came from Frederick Schlender Jr., who works at the farmers' cooperative in McPherson, Kansas, where the fertilizer was purchased; he was not called as a witness at the trial. Instead, a senior cooperative official attested to the authenticity of a receipt, which was found in the home of Mr. Nichols and bore the fingerprints of Mr. McVeigh.

Mr. Schlender said he had loaded the fertilizer onto a trailer pulled by a pickup truck driven by the men. But the pickup truck he described was larger than Mr. Nichols's truck.

CLINTON: *Affirmative Action*

Continued from Page 1

and see that this year of honest dialogue and concerted action helped to lift the heavy burden of race from our children's future, we will have given a precious gift to America," Mr. Clinton said.

He called on the country to do this now, "when we are not driven to it by some emergency or social cataclysm."

"Honest dialogue will not be easy at first," Mr. Clinton said. "We'll all have to get past defensiveness and fear and political correctness and other barriers to honesty. Emotions may be rubbed raw, but we must begin."

The president also pointed to the drawbacks of abolishing affirmative action in education. He said the repeal of such programs in Texas and California had prompted minority enrollments in state law schools and other graduate programs to drop for the first time in decades.

"If we close the door on them, we will weaken our greatest universities, and it will be more difficult to build the society we need in the 21st century," Mr. Clinton said.

Last year, the 5th U.S. Circuit Court of Appeals, covering Texas, Louisiana and Mississippi, said public universities may not consider a student's race as a factor in admissions. The Supreme Court refused to hear an appeal by the University of Texas, leaving the appeals court ruling in place. That set off a chain reaction in which applications by members of minority groups plummeted at the law school. Ten black students, compared with 65 last year, have been admitted for the term beginning this autumn.

Nonetheless, while recent Supreme Court rulings portend a shift away from all affirmative action, the justices still make an exception for education, saying that the value of racial diversity in that field justifies special programs to increase minority-group representation.

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CURRENCY RATES

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Celebrating the opening of Hong Kong's convention center, where the handover to China will occur, are, from left, Anson Chan, the chief secretary; Tung Chee-hwa, the future leader; Victor Fung, chairman of the Trade Development Council, and Sir Donald Tsang, financial secretary.

Clinton Vows to Monitor Freedom in Hong Kong

Normal Trade Ties Are Crucial, He Says

Compiled by Our Staff From Dispatches

SAN DIEGO — With China poised to gain control of Hong Kong, President Bill Clinton has vowed to "keep a close watch" over freedom in the territory and has argued that continued U.S. trade would keep Beijing in line.

"I am convinced the best way to promote our interests and our values is not to shut China out but to draw China in," the president said in his weekly radio address Saturday.

Mr. Clinton once again said that the July 1 transfer of Hong Kong from British to Chinese rule was grounds to extend normal trade ties with Beijing. A month ago, the president announced that he was extending China's most-favored-nation trading status; lawmakers are expected to vote this month on the president's action.

Critics of China's human-rights record are lobbying Congress to cut normal trade relations with Beijing. But Mr. Clinton warned bluntly that "no step would more clearly harm Hong Kong" politically than reversing the course the United States has followed for years and denying China the same trade privileges that the United States extends to most other countries.

He also said that revoking China's trading status once Hong Kong reverts to Chinese rule would deal a severe economic blow to the colony, eliminating 85,000 jobs there.

Mr. Clinton noted that Beijing's strongest critics in Hong Kong support U.S.-China trade because the colony prospers as a conduit for trade between the two countries. More than half the goods flowing between the United States and China go through Hong Kong. Many American businesses prosper too: More than 1,100 American companies operate in Hong Kong, he said.

Making a broader case, the president argued that reducing ties to Beijing would isolate the Chinese people, derail U.S.-Chinese efforts to combat drug trafficking, jeopardize U.S. jobs dependent on the emerging market and decrease the incentive for Beijing to "abide by the norms of international conduct."

"If we treat China as our enemy, we may create the very outcome we're trying to guard against," he said. "Extending normal trading status is not a referendum on China's policies; it's a vote for America's interests."

The legislature hand picked by China to rule Hong Kong after the handover, meanwhile, voted a package of tough restrictions Saturday on demonstrations, a ban on foreign donations for political parties and penalties for burning or defacing the Chinese flag. (Page 6)

Mr. Clinton said human rights activists had "legitimate concerns" but argued that cutting trade ties "will set back those goals, not achieve them."

He added that the United States would "keep a close watch on the transition process and the preservation of freedoms that the people of Hong Kong have relied on to build a prosperous, dynamic society." And he promised to work with the new Hong Kong government to "maintain a productive relationship."

"China has made important commitments to maintain Hong Kong's freedom and autonomy, and our nation has a strong interest in seeing that these commitments are kept," he said.

(AP, LAT, AFP, Bloomberg)

■ Chinese Banker Is Optimistic

China's central bank governor lauded Hong Kong's financial and exchange-rate policies and predicted that financial stability would continue after the transition, Bloomberg News reported from Shanghai.

"We are glad to see Hong Kong's financial situation is moving toward a smooth transition," the governor of the People's Bank of China, Dai Xianglong, said in a Chinese newspaper report. "We are confident about financial stability after the handover."

The People's Bank will not interfere with Hong Kong's monetary system after the transfer, he said, and the Hong Kong Monetary Authority, which handles Hong Kong's monetary policy, will be independent from the People's Bank. The People's Bank also will not set up a branch in Hong Kong, Mr. Dai said.

Relations between Hong Kong and China after July 1 are fixed in the Basic Law, which says that Hong Kong can keep its own currency and financial policy management for 50 years. Some analysts expect meddling by Beijing.

Will Daewoo's Romanian Investment Be a Lemon?

By Peter S. Green
International Herald Tribune

CRAIOVA, Romania — Park Dong Kyu has a problem: cars. He has too many of them and no place to put them. At last count some 15,000 unsold cars filled the back lots, lawns and fields of Daewoo's assembly plant in this flat corner of Romanian countryside.

The reason is fairly simple. Romania's economy has yet to recover from 40 years of Communist misrule, and at about $12,500 apiece, the Daewoo Cielos put together here from Korean-made parts are far too expensive for a country where salaries average less than $100 a month.

Mr. Park's parking problem is not likely to disappear soon.

Daewoo Corp.'s $156 million purchase of the aging Oltcit car factory in late 1994 was just part of a multibillion dollar plan to expand into Europe. Daewoo's goal is to force its way into the ranks of the world's top 10 car makers, building 1.5 million cars annually overseas and 1 million in Korea.

New Daewoo plants are operating in Uzbekistan, Poland and the Czech Republic, and the company is in talks to open plants in Ukraine and Russia.

For Daewoo, faced with rising labor costs at home in South Korea, Eastern Europe is a low cost-production platform where favorable tariff agreements open up markets in the wealthy European Union countries.

For Romania, selling Oltcit, a failed venture with PSA Peugeot Citroen SA, to Daewoo was a chance to rebuild the domestic automobile industry and earn export cash. So far, it has not been working out too well for either side.

Daewoo Automobile Romania SA employs 4,600 former Oltcit workers. The Korean company has invested $250 million in its Romanian operations so far, and plans to invest a total of $850 million by 2000.

But despite its agreement with the Romanian government to produce 70,000 cars this year, Daewoo sold fewer than 400 autos in Romania in March, and will export fewer than 40,000 this year.

Competition is so tough, the company has no room for its unsold cars.

Meanwhile, competition is tough. Daewoo has several other car plants in the region, and rivals, including Volkswagen AG's Skoda, Italy's Fiat SpA, General Motors Corp.'s Adam Opel AG, and Hyundai Corp. of Korea, have all opened or plan to open plants in Eastern Europe.

Last year, Daewoo sold 165,000 cars across the region, ranking fourth in new car sales in Eastern Europe, behind Avtovaz, the Russian maker of the Lada and Niva; Volkswagen; and Fiat. Daewoo has also built an impressive dealer network in the region. The British auto-industry consultants Harbour Wade Brown estimate that Daewoo has 621 dealers in the region, second only to Avtovaz, which has 828 dealers.

"Daewoo's plans are too ambitious," said Carol Thomas, an analyst with LMC, an automotive forecasting firm. "Others are setting up in Eastern Europe as well. Even though those markets will grow, there is no reason to believe that Daewoo will sell all the cars they say they are going to produce."

Mr. Park acknowledges the problem. Already his workers are on reduced hours, although still at full pay, and workers were furloughed on full pay for a week in April.

From the point of view of the Romanian government, which owns 49 percent of the Daewoo venture, the project has failed to help develop a local auto parts industry to supply that would have created new jobs and local profits.

Mr. Park says 35 percent of the cars produced in Romania is now locally sourced, but most of that is made at Daewoo's own plant — including bumpers, seats, fuel tanks, mufflers and suspensions. A $450 million engine and transmission shop is now under construction, and by next year, Mr. Park says it will produce 350,000 units a year, most of which will be exported to Daewoo factories in Poland and Uzbekistan. Daewoo is obliged to buy 50 percent of its parts locally within 7 years, but Mr. Park doubts the company can afford to meet the target.

"The whole component industry in this country is low grade," Mr. Park said.

"They can supply Dacia, but we can't use it," he added, referring to Daewoo's local rival. "If we say, 'We need this component at this price,' they either give up or they ask for more money."

That the parts are good enough for Dacia is not surprising. Dacia, a one-time joint venture with Renault of France, turns out a barely updated version of the clunky 1960s-era Renault 12.

But the Dacia is cheap, about $4,500 at the current exchange rate, spare parts are plentiful, and its no-frills construction makes it a hardy vehicle that can survive Romania's potholed roads. Daewoo had to redesign the Cielo's suspensions for Romania's roads.

When Doina Radu and her husband, Mihai, went to buy a new car last month, the choice was easy. "Since 1968, Dacia's added one gear to the car, that's all," Mr. Radu said. "But it would be stupid for me to buy a good car for Romanian roads. With a Dacia, every Romanian can repair the car and the spare parts are very cheap."

There is a three- to six-month waiting list for the approximately 70,000 cars Dacia hopes to turn out this year.

Analysts at Plan-Econ/DRI say Dacia is still the right car for Romania's market, and they do not expect Daewoo to match Dacia's domestic sales this century. With Romania's EU entry uncertain, too, Daewoo may find new barriers to its hoped-for Western European markets.

CYBERSCAPE

Hewlett-Packard's World Cup Goal

By Paul Floren
International Herald Tribune

LYON — When the world's best soccer teams take the field to compete for the World Cup in 1998, the real pressure to perform may be on Hewlett-Packard Co. The world's No. 2 computer maker faces the same challenge in providing information systems for the World Cup as International Business Machines Corp. faced during the Summer Olympics in Atlanta in 1996. Expectations are high, and, as IBM found out in Atlanta, the price of failure can be enormous.

"World Cup 98 will probably be the most extensive organizational use of information technology for any previous global event," said Phillippe Verveer, a spokesman for the French Organization Committee for the World Cup.

HP is no stranger to big-time sports, having provided technical support to every Olympiad since 1972, according to Lee Ting, Hewlett-Packard's vice president and managing director of geographic operations.

In fact, the World Cup may prove to be a greater logistics challenge than the Olympics, considering these factors:

- The World Cup will include teams from 32 countries, playing 64 matches in 10 sites throughout France.
- It is estimated the aggregate television audience for the matches will total 37 billion viewers, nearly 6 billion more than the total for Atlanta, and that 2.5 million people will attend the matches.
- Computer systems will need to handle 2.5 million tickets for 64 matches in 10 locations, as well as maps and layouts, office automation, electronic mail, human resources and volunteers (around 18,000), results and statistics, media information, on-line information and sales, drug testing, medical equipment, and security.

And, as Mr. Lee says, it all "must be flawless." As IBM discovered when its costly computer system failed repeatedly during the Atlanta Olympics, giving incorrect statistics and measures for events, failure can bring endless mockery and reams of bad press. As its systems malfunctioned, IBM had to resort to printing out results on paper and faxing them or delivering them by hand to the press centers.

Nigel Ball, marketing manager at Hewlett-Packard, hopes to meet the challenges.

"The World Cup is our showcase to prove how competent we are," he said. "Here Hewlett-Packard can show how they can meet global objectives."

To do this, Hewlett-Packard will provide 75 products, including thousands of workstations and notebook computers connected to central servers throughout the world, hundreds of Local Area Networks and hundreds of scanners and printers. The company would not give an estimate of the cost of wiring the World Cup.

For a start, HP has created a Web site that received around 70,000 hits in its first two weeks of existence. Mr. Ball predicts that by the time the World Cup starts on June 10, 1998, the Web site will be receiving up to 10 million hits daily.

One of the biggest challenges will be to issue photo identification cards to the 50,000 journalists and VIPs who are expected to attend the events. The cards are the key to security at the events and contain all the relevant information about the holder encoded on a magnetic strip.

Internet address:
CyberScape@iht.com

Norwich Union Stock To Get a Strong Start

Bloomberg News

LONDON — Norwich Union's shares were priced at 290 pence ($4.75) Sunday — the top end of the indicative range set by the life insurer — because of strong demand from policyholders and public investors, according to British television.

At this price, the insurer will be valued at £5.5 billion when it begins trading Monday on the London Stock Exchange. About four-fifths of the company's stock will initially be in the hands of its policyholders, who eagerly bought up shares on a preferential basis at a 25 pence discount, or 265 pence a share.

The number of shares sold to the public was pared back in the face of high demand from policyholders. Large corporate investors that did not get as much stock as they wanted are expected to wade in Monday, driving prices up, as they buy shares from policyholders cashing in on short-term gains.

"There's obviously going to be institutional buying to support" the stock, said Trevor May, an analyst at Salomon Brothers, who said a fair value for the stock would be 320 to 340 pence. Although the shares were trading at about 350 pence in the so-called gray market of unofficial trading last week, Mr. May said the shares would probably be lower Monday.

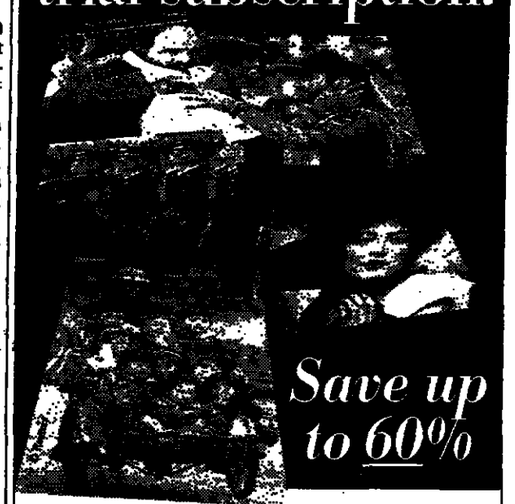
Investors said that the same scramble to buy the stock as seen in other recent sales of financial companies was unlikely.

"It's not a must-have share," said Neil Worsley, a director at Lombard Odier, which has $1 billion invested in Britain.

Norwich Union PLC — as the publicly traded company will be named — will be among the ranks of the FT-SE 100 Index of leading British companies. The third-largest publicly traded British insurer after Prudential Corp. and Royal & Sun Alliance Insurance Group PLC, Norwich Union is likely to join the FT-SE 100 Index in September and will be part of the FT-SE Life Insurance Index.

The share sale, announced last year, will make Norwich Union the first policyholder-owned life insurer in Britain to cast off its mutual status and become publicly traded.

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IRELAND	IRE	52	26	50%
ITALY	ITL	145,600	58,000	60%
LUXEMBOURG	LFR	3,3800	1,350	60%
NETHERLANDS	NLG	195	78	60%
NORWAY	NOK	832	390	53%
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Amsterdam	1.954	3.1955	1.1548	0.3334	0.1146*	—	5.65*	1.3512	1.784*	1.417	1.3385*
Brussels	35.726	58.395	28.4385	6.12	2.1016*	18.2826	—	24.715	0.2101	25.87	24.475*
Frankfurt	1.23	2.0142	—	0.2565	0.1018*	0.8891	4.8657*	1.1982	1.512*	1.252	1.1831*
London (s)	1.6355	—	2.8471	9.5907	2.791.22	3.1967	16.6634	2.266	182.5862	2.255	239.7761
Madrid	146.187	238.513	84.656	25.049	8.464*	75.226	4.0949	101.35	127.775*	105.882	—
Milan	1,780.78	2,778.18	982.85	291.14	—	874.48	47.626	1,178.55	14.805	1,238.88	11.633
New York (s)	—	1.633*	1.1565	5.868	1,706.01	1.9523	35.93	1.4429	114.805	1.3813	144.286
Paris	5.826	9.536	3.3736	—	0.3405*	2.9972	0.1633	4.1645	5.181*	4.2338	3.992*
Tokyo	114.58	186.91	66.25	19.65	6.676	58.91	3.2109	79.35	—	82.84	0.7865
Toronto	1.3813	2.2604	0.7952	0.2352	0.081*	0.706	0.3849*	0.9575	1.2031*	—	0.94*
Zurich	1.4663	2.3929	0.8333	0.2466	0.0845*	0.7401	4.0328*	—	1.2615*	1.0636	0.9869*
1 ECU	1.1344	0.4743	1.9823	6.4201	1.927.30	2.2873	46.4965	1.6362	129.782	1.5673	145.821
1 SDR	1.2878	0.8514	1.297	3.9597	2.360.95	2.6962	49.4388	2.0077	155.585	1.9219	202.719

Closings in Amsterdam, London, Milan, Paris and Zurich. Rates in other centers: New York and Toronto rates at 4 P.M.
*a: To buy one pound; b: To buy one dollar; *Units of 100; N.Q.: not quoted; N.A.: not available.*

Other Dollar Values

Currency	Per $	Currency	Per $	Currency	Per $	Currency	Per $
Argent. peso	0.9986	Greek drac.	274.02	Mex. peso	7.961	S. Afr. rand	4.4965
Australian $	1.2308	Hong Kong $	7.7435	N. Zealand $	1.4463	S. Kor. won	890.55
Austrian sch.	12.178	Hung. forint	184.70	Norw. krone	7.2342	Swed. krona	7.7705
Brazil real	1.0737	Indian rupee	35.84	Phil. peso	26.38	Taiwan $	27.88
Chinese yuan	8.3235	Indo. rupiah	2427.35	Polish zloty	3.23	Thai baht	24.12
Czech koruna	32.23	Irish £	0.6582	Port. escudo	174.93	Turkish lira	143705.
Danish krone	6.5884	Israeli shek.	3.4093	Russ ruble	5759.5	UAE dirham	3.672
Egypt. pound	3.3952	Kuw dinar	0.3029	Saudi riyal	3.75	Venez. bolív.	484.35
Fin. markka	5.1812	Malay. ring.	2.51	Sing. $	1.4243		

Forward Rates

Currency	30-day	60-day	90-day	Currency	30-day	60-day	90-day
Pound Sterling	1.6330	1.6318	1.6307	Japanese yen	113.94	113.45	112.96
Canadian dollar	1.3765	1.3753	1.3726	Swiss franc	1.4385	1.4328	1.4276
Deutsche mark	1.7270	1.7230	1.7192				

Sources: ING Bank (Amsterdam); Indosuez Bank (Brussels); Banca Commerciale Italiana (Milan); Banque de France (Paris); Bank of Tokyo-Mitsubishi (Tokyo).

Canberra Sets 'Framework' for Rate Cut

Compiled by Our Staff From Dispatches

CANBERRA — The government is setting the scene for lower interest rates and a more "realistic" value for the Australian dollar, Deputy Prime Minister Tim Fischer said Sunday.

Mr. Fischer, leader of the National Party, which is in a conservative coalition government with the Liberal Party, said in a televised interview that he would not speculate about whether the Reserve Bank of Australia would again cut its key lending rate.

But, he said, "What I will say is that we're setting a responsible framework for the right kinds of decisions from the Reserve Bank, because we've got the fiscal policy settings right."

Mr. Fischer added, "We're building to a sensible, positive surplus at the right time, and that will help provide a lower interest-rate structure."

The Australian dollar fell to 16-month lows last week amid expectations that the central bank will ease credit for a fifth time in 11 months, with unemployment remaining stubbornly high and inflation low.

The Australian dollar fell to 75.04 U.S. cents Friday and has dropped 5 percent since the central bank began easing credit in July last year, when it was trading at about 79 cents.

The interest-rate trend "has been down" and has had a positive impact," Mr. Fischer said. It has also led to a more realistic value for the Australian dollar, he added.

The central bank has eased its key rate to 5.5 percent in four cuts of half a percentage point each, citing high unemployment and low inflation.

According to a report released Thursday, unemployment rose unexpectedly to 8.8 percent in May from 8.7 percent and the economy lost 40,300 jobs, in contrast with forecasts that it would add about 12,000.

Consumer-price inflation, in the meantime, was 1.3 percent in the year that ended March 31.

The government is forecasting that its underlying deficit will narrow to 3.85 billion Australian dollars ($2.9 billion) in the year starting July 1 and has pledged to return its budget to surplus by mid-1999.

Meanwhile, Prime Minister John Howard told the Australian Broadcasting Corp. he was happy with the central bank's handling of monetary policy and expected a pickup in growth in 1998 to stimulate the country's current low employment growth.

Mr. Howard said he thought the Reserve Bank would be "very sensible" about interest rates.

"They've called it well, if I may say so, over the last few months," he said. "They got the last cut right, and I believe they will get the next cut or nonmovement right as well."

Mr. Howard was responding to a question on whether he was worried that the Reserve Bank might decide on a rate cut that was not warranted after the poor labor force figures were released last week.

Mr. Howard defended his government's economic policy, saying it had put in place a range of measures to increase growth and employment.

He said he believed those measures would have a beneficial effect and that next year would see a much stronger employment situation.

"The impact of falling interest rates has yet to be felt," Mr. Howard said.

Mr. Howard said part of the problem with the current low employment growth was the time lag between cuts in interest rates and a positive response in the economy. *(Bloomberg, Bridge News)*

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A Fund Chief's Reluctant Concession: Might as Well Ride the Wild Tape

Bloomberg News

CHICAGO — As the U.S. stock market soars from record to record, John Bogle, founder and chairman of Vanguard Group, America's second-largest mutual fund company, remains bullish — up to a point.

"You can't fight the tape, and right now the tape is wild," said Mr. Bogle, whose fund company manages $280 billion. But Mr. Bogle, 68, said he would not be surprised if the stock market fell as much as 25 percent in the short term, though he declined to make any specific predictions.

"It's not possible to anticipate the market," he said. "And even if you get out at the right time, then you have to know when to get back in. My motto is, 'Stay the course.'"

It's not unusual for Vanguard executives to make cautionary comments about U.S. equities, which, as measured by the Standard & Poor's 500-stock index, have returned 19 percent a year since 1992. Last month, Vanguard's chief executive, John Brennan, said returns for mutual-fund shareholders would probably slow in coming years.

Nervous investors should 'sell just enough to be able to sleep at night.'

Lately, though, returns have done just the opposite. The S&P rose 4 percent last week and has gained 34 percent in the past year. It rose 9.78 points Friday, to a record 893.24.

"By any measure, the market is expensive," Mr. Bogle said.

Earnings per share for S&P companies rose 15 percent in the first quarter, and Mr. Bogle was skeptical that they would continue to grow at that pace. "Earnings rising 14 to 16 percent is what it will take to sustain this market," he said.

For the long term, Mr. Bogle is bullish. He said an acquaintance recently asked for advice about how to invest a six-figure inheritance. Predictably, he suggested Vanguard mutual funds, but he did not exclusively recommend index funds, which he pioneered in 1975. An index fund's choice of stocks matches that of a market index and mimics its performance.

Mr. Bogle suggested a mix, with 30 percent of the money in municipal-bond funds, 35 percent in Vanguard Windsor II — a growth and income fund — and 35 percent in the Vanguard Index Trust Total Stock Market Portfolio, which mirrors the entire U.S. market. Mr. Bogle suggested buying the equity funds gradually over 12 months.

As for those already invested, Mr. Bogle said small investors who felt uneasy at the sight of soaring markets should sell shares. But "sell just enough to be able to sleep at night," he said.

■ Big-Name Stocks Set the Pace

The U.S. stock market is going so well that daily records are becoming old hat, Bloomberg News reported from New York.

The Dow Jones industrial average set a record in each of the past six trading days, passing the levels of 7,500, 7,600 and 7,700 points in rapid succession.

A half-dozen years into the longest bull market in history, the same big-name stocks continue to lead the way. Shares of companies such as Gillette Co. and Exxon Corp. are selling at their highest levels in comparison with earnings than at any time in a quarter-century.

Interest rates are falling, and inflation seems a historic novelty.

"We're always looking for steady growth without inflation, and we're getting it," said Lawrence Kantor, a money manger at Lexington Funds. "That's great for equities."

Investors say there's no reason to think that the party will end soon. There seems to be relatively little concern that the Dow Jones average will give up any of its 22 percent gain since April 11. Their biggest question seems to be which stocks to buy.

Last week's rally got a lift from reports of declining retail sales and producer prices. The data confirmed hopes for a slower-growing economy that would keep interest rates low and profits high.

For the week, the Dow industrial average rose 4.6 percent. The Nasdaq Composite Index, home to computer companies and fledgling businesses, rose 1.3 percent for the week to close at 1,423.04, also a record.

Yet while bond investors seemed to anticipate a slowdown in the economy, stock investors were divided. The Morgan Stanley Cyclical Index — whose member stocks tend to perform better as growth accelerates — rose 4.4 percent on the week. But the Russell 2000 index, a broad measure of the health of smaller companies, rose a relatively weak 1.3 percent as a spate of profit warnings reminded investors that although smaller companies may grow more rapidly than bigger ones, their success is less assured. Last month, small stocks as measured by the Russell 2000 gained 11 percent.

Most Active International Bonds

The 250 most active international bonds traded through the Euroclear system for the week ending June 13. Prices supplied by Telekurs.

Austrian Schilling

Rnk Name	Cpn	Maturity	Price	Yield
197 Austria	4⅝	05/23/02	99.4500	4.6500

Belgian Franc

Rnk Name	Cpn	Maturity	Price	Yield
238 Belgium	7	04/29/99	106.0000	6.6000

British Pound

Rnk Name	Cpn	Maturity	Price	Yield
194 Denmark	6¼	05/22/00	98.5021	6.3500
199 Britain Tsy Loan	9½	01/15/99	104.0000	9.1300
234 Carlton Comm	7⅝	06/06/07	98.0000	7.7800
243 EIB	7⅝	12/07/06	101.8750	7.4800
245 Royal Bank Scot	7.8500	09/26/03	100.7064	7.7900
248 EIB	7⅝	12/07/07	102.5000	7.4400

Canadian Dollar

Rnk Name	Cpn	Maturity	Price	Yield
160 Canada	7	09/01/01	105.1800	6.6600
174 Canada	4	03/15/99	99.1760	4.0300
211 Canadagovt	5½	09/01/02	98.7952	5.5700

Danish Krone

Rnk Name	Cpn	Maturity	Price	Yield
5 Denmark	8	03/15/06	111.8600	7.1500
11 Denmark	7	11/15/07	104.5500	6.7000
19 Denmark	8	05/15/03	112.5500	7.1100
23 Denmark	9	11/15/98	106.8500	8.4200
29 Denmark	8	11/15/01	111.8700	7.1500
34 Denmark	9	11/15/00	113½	7.9300
43 Denmark	7	11/10/24	98.0000	7.1400
49 Denmark	6	12/10/99	104.1800	5.7600
51 Denmark	7	12/15/04	106.3500	6.5800
71 Denmark	6	11/15/02	103.5000	5.8000
95 Real Kredit	6	10/01/26	90.0000	6.6700
105 Denmark	7	08/15/97	100.4300	6.9700
110 Denmark	7	02/15/98	102.0700	6.8600
116 Nykredit 3 Cs	6	10/01/26	89.8500	6.6800
117 Denmark	4	02/15/00	99.6100	4.0200
172 Denmark	6	02/15/99	103.2700	5.8100

Deutsche Mark

Rnk Name	Cpn	Maturity	Price	Yield
1 Germany	6	01/04/07	101.1125	5.9300
2 Germany	8	01/21/02	113.6700	7.0400
3 Germany	3¾	03/19/99	100.6753	3.7200
6 Germany	6¼	04/26/06	103.8900	6.0200
7 Bundesoblig	4½	02/22/02	99.7363	4.5100
8 Germany	6	07/04/07	101.5500	5.9100
10 Germany	4¾	11/20/01	100.9938	4.7000
14 Treuhand	7½	09/09/04	112.4667	6.6700
16 Germany	6	01/05/06	102.3020	5.8600
17 Germany	6⅞	05/12/05	111.5637	6.1600
18 Germany	9	10/20/00	114.8708	7.8300
20 Germany	6½	10/14/05	105.8200	6.1400
21 Germany	5	08/20/01	102.2450	4.8900
22 Germany	5	05/21/01	102.5367	4.8800
24 Germany	8¼	09/20/01	114.2767	7.2200
26 Treuhand	6⅞	06/11/03	109.1300	6.3000
27 Germany	6½	01/04/24	95.8640	6.5200
28 Germany	7⅜	01/03/05	111.6600	6.6000
30 Germany	8¾	08/20/01	116.0727	7.5400
31 Germany	8½	02/20/01	114.0500	7.4500
35 Germany	6	02/16/06	102.3400	5.8600
36 Germany	5¾	08/22/00	104.9400	5.4800
37 Germany	8	07/22/02	113.8161	7.0300
38 Treuhand	7⅜	12/02/02	111.6000	6.6100
42 Treuhand	6⅝	07/09/03	107.8750	6.1400
44 Germany	5⅛	11/21/00	103.0700	4.9700
45 Germany	6½	07/15/03	107.2800	6.0600
46 Treuhand	6½	04/23/03	107.3300	6.0600
47 Germany	8⅞	12/20/00	114.9033	7.7200
48 Treuhand	6⅝	07/01/99	105.4100	6.0500
50 Treuhand	7⅛	01/29/03	110.3700	6.4600
53 Treuhand	6	11/12/03	104.5833	5.7400
54 Germany	9	01/22/01	115.5300	7.7900
56 Germany	5⅞	05/15/00	105.2437	5.5800
57 Germany	8¼	05/21/01	114.2200	7.3300
60 Germany	8½	08/21/00	112.9600	7.5200
62 Germany	5¼	02/21/01	103.4282	5.0800
63 Treuhand	7¾	10/01/02	113.2342	6.8400
65 Germany	6¾	09/15/99	106.6700	6.3300
66 Germany	6¾	07/15/04	108.3133	6.2300
67 Germany	6	09/15/03	105.0825	5.7100
68 Germany	7½	11/11/04	112.5080	6.6700
72 Germany	6¾	04/22/03	108.5850	6.2200
73 Treuhand	6¼	03/04/04	105.5825	5.9200
74 Treuhand	5¾	04/29/99	103.6607	5.5500
78 Germany	7⅛	12/20/02	110.4900	6.4500
79 Germany	6½	03/15/00	106.7125	6.0900
81 Germany	3½	09/18/98	100.2400	3.4900
83 Germany	7¼	10/21/02	111.0700	6.5300
84 Germany	6½	01/02/99	104.5400	6.2200
85 Germany	7	01/13/00	107.7700	6.5000
86 Treuhand	6¾	07/29/99	105.3600	5.9300
87 Treuhand	5	01/14/99	102.3950	4.8800
90 Treuhand	6¾	05/13/04	108.2333	6.2400
91 Germany	6	06/20/16	96.1722	6.2400
92 Germany	3½	12/18/98	100.1800	3.4900
93 Germany	6⅛	05/20/99	104.9186	5.8400
97 Treuhand	5¾	09/24/98	102.8200	5.4700
101 Germany	5¾	08/20/98	102.8100	5.5900
106 Germany	8	09/22/97	101.2720	7.9000
107 Germany	8¾	07/20/00	113.4567	7.7100
109 Treuhand	6⅛	06/25/98	102.9395	5.9500
113 Germany	7	12/22/97	101.9400	6.8700
118 Germany	6⅞	12/02/98	104.9366	6.5500
121 Treuhand	5	12/17/98	102.3200	4.8900
124 Treuhand	7	11/25/99	107.5500	6.5100
126 Germany	5¾	05/28/99	104.1200	5.5200
131 Germany	6⅝	01/20/98	102.0000	6.5000
133 Germany	7½	10/20/97	101.4800	7.3900
144 Germany	5⅜	02/22/99	103.1333	5.2100
147 Germany	7¼	10/20/97	101.4000	7.1500
148 Russia	9	03/25/04	102.0000	8.8200
169 Eksportfin A/s	zero	12/17/01	84.7546	3.7200
170 Germany	8¾	05/22/00	113.0700	7.7400
175 Germany	6	02/20/98	101.8500	5.8900
184 Germany	5¼	10/20/98	102.5000	5.1200
189 German States	6¼	08/21/06	103.1294	6.0600
191 Bank Trust FRN	3.2266	05/21/02	99.7531	3.2300
196 Germany	6⅜	05/20/98	102.8700	6.2000
201 Germany	6¾	06/21/99	106.1000	6.3600
202 Germany	6¼	02/20/98	102.0200	6.1300
209 Germany	8¼	07/21/97	100.4900	8.2100
218 Germany Tbills	zero	07/18/97	99.7260	2.7400
219 Bk Fur Arbeit	4⅝	05/16/01	100.2900	4.6100
220 Guinness FRN	3.1641	08/28/98	99.8685	3.1700
225 Volkswagen	4.8500	02/28/01	99.1202	4.8900
226 Germany	7	02/22/99	105.6700	6.6200
227 Germany	5¼	11/20/97	100.9000	5.2000
231 Germany	6¾	07/20/98	103.7000	6.5100
249 Germany	6⅞	02/24/99	105.5200	6.5200

Dutch Guilder

Rnk Name	Cpn	Maturity	Price	Yield
52 Netherlands	6¼	07/15/98	102.9400	6.0700
59 Netherlands	9	01/15/01	115.3500	7.8000
69 Netherlands	5¾	02/15/07	101.2500	5.6800
76 Netherlands	7½	06/15/99	107.3000	6.9900
80 Netherlands	8½	03/15/01	114.1500	7.4500
103 Netherlands	5¾	01/15/04	103.4500	5.5600
120 Netherlands	7½	04/15/10	115.0500	6.5200
127 Netherlands	8¼	06/15/02	115.5500	7.1400
129 Netherlands	7½	01/15/23	114.40	6.5600
140 Netherlands	6½	07/15/98	103.1000	6.3000
142 Netherlands	6¾	11/15/05	108.5000	6.2200
145 Netherlands	6	01/15/06	103.5000	5.8000
149 Netherlands	5¾	09/15/02	104.3500	5.5100
159 Netherlands	6½	04/15/03	107.9000	6.0200
163 Netherlands	7¾	01/15/00	109.3500	7.0900
168 Netherlands	8¼	09/15/07	120.0500	6.8700
179 Netherlands	7	06/15/05	110¼	6.3500
181 Netherlands	7	03/15/99	105.6200	6.6300
185 Netherlands	8¾	09/15/01	116.3000	7.5200
198 Netherlands	8¾	05/01/00	112.6500	7.7700
210 Netherlands	6¾	10/01/98	104.0100	6.4900
215 Netherlands	8¼	02/15/00	110.8000	7.4500
223 Netherlands	9¼	11/30/00	115.90	7.9800
235 Netherlands	7¼	10/01/04	112.0500	6.4700

ECU

Rnk Name	Cpn	Maturity	Price	Yield
70 France OAT	5½	04/25/07	95.5000	5.7600
119 France OAT	6	04/25/04	102.0500	5.8800
134 France OAT	7½	04/25/05	110.40	6.7900
156 France BTAN	5	03/16/99	101.2033	4.9400
167 France OAT	7	04/25/06	106.5000	6.5700
173 Britain	9⅛	02/21/01	116.1500	7.8600
186 France OAT	8½	03/15/02	114	7.4600
195 Italy	6	04/02/04	101.1250	5.9300
242 France OAT	8¼	04/25/22	115.6000	7.1400

Finnish Markka

Rnk Name	Cpn	Maturity	Price	Yield
178 Finland sr 1999	11	01/15/99	111.12	9.9000
192 Finland	9½	03/15/04	120.8516	7.8600

French Franc

Rnk Name	Cpn	Maturity	Price	Yield
88 France BTAN	4½	04/12/99	101.7500	4.6700
89 FranceOAT	5½	04/25/07	98.7800	5.5700
112 France OAT	7¼	04/25/05	113.3300	6.6200
132 France OAT	6½	10/25/06	106.4900	6.1000
157 France B.T.A.N.	4½	10/12/98	101.1100	4.4500
206 France OAT	7¼	04/25/06	111.9700	6.4700
217 France B.T.F.	zero	08/07/97	99.4985	3.2100
224 France B.T.A.N.	5½	10/12/01	103.6300	5.3100
230 France BTAN	7	11/12/99	106.9900	6.5400

Japanese Yen

Rnk Name	Cpn	Maturity	Price	Yield
130 Italy	3¾	06/08/05	108.1250	3.4700
151 Salts Caym FRN	zero	12/12/97	100.0024	0.0000
180 Spain	3.1000	09/20/06	103.6544	2.9900
213 Bim Curacao	1.4000	06/11/99	99.7883	1.4000
233 Galois	2¾	06/10/02	99.6500	2.7600
239 Exim Bk Japan	2⅞	07/28/05	103.2500	2.7800

South African Rand

Rnk Name	Cpn	Maturity	Price	Yield
128 Deutsc Fin Neth	zero	06/05/17	7¼	14.0200

Spanish Peseta

Rnk Name	Cpn	Maturity	Price	Yield
114 Spain	9.4000	04/30/99	107.4320	8.7500
203 Spain	7.4000	07/30/99	104.5000	7.0800
246 Spain	7.9000	02/28/02	109.2030	7.2300

Swedish Krona

Rnk Name	Cpn	Maturity	Price	Yield
99 Sweden	11	01/21/99	109.3230	10.0600
153 Sweden	9	04/20/09	116.2330	7.7400
155 Sweden	5½	04/12/02	98.2190	5.6000
162 Sweden	6½	10/25/06	98.0570	6.6300
165 Sweden 1036	10¼	05/05/00	112.9230	9.0800
240 Sweden	6	02/09/05	96.5570	6.2100

U.S. Dollar

Rnk Name	Cpn	Maturity	Price	Yield
4 Brazil Cap S.L	4½	04/15/14	89.5486	5.0300
9 Argentina par L	5½	03/31/23	69.4208	7.9200
12 Brazil	10⅛	05/15/27	96.4353	10.4900
13 Brazil par ZI	5¼	04/15/24	65.6493	8.0000
15 Brazil S.ZI FRN	6⅞	04/15/24	84.1250	8.1700
25 Venezuela FRN	6½	12/18/07	92.2500	7.0500
32 Argentina FRN	6¾	03/29/05	89.5034	7.5400
33 Venezuela par A	6¾	03/31/20	78.0313	8.6500
39 Mexico	11½	05/15/26	112.2509	10.2400
40 Argentina	11⅜	01/30/17	110.4584	10.3000
41 Brazil L FRN	6⅞	04/15/06	91.2966	7.5300
55 ADB	6¾	06/11/07	100.5000	6.7200
58 TMCC	7	06/11/07	102.0131	6.8600
61 Brazil FRN	6½	01/01/01	98.6938	6.5900
64 Brazil S.L FRN	6 5/16	04/15/12	82.7788	8.3800
75 Mexico par B	6¼	12/31/19	75.3392	8.3000
77 Mexico par A	6¼	12/31/19	76.9375	8.1200
82 Ecuador FRN	3¼	02/28/15	65.5588	4.9600
94 Mexico A FRN	6.8672	12/31/19	92.5619	7.4200
96 FMCC	7.2000	06/15/07	100.6250	7.1600
98 Moscowcity	9½	05/31/00	101.2500	9.3800
100 Argentina FRN	6⅞	03/31/23	86.5625	7.9400
102 Bulgaria FRN	6 9/16	07/28/11	69.5688	9.4300
104 Italy FRN	5.7188	05/12/02	99.8200	5.7300
108 Venezuela par B	6¾	03/31/20	77.9375	8.6600
111 Mexico FRN	7⅞	08/06/01	100.7800	7.8100
115 Ecuador par	3½	02/28/25	48.1875	7.2600
122 Commerzb FRN	5.7266	01/29/01	99.6000	5.7500
123 Mexico	11⅜	09/15/16	110.8947	10.2600
125 Mexico	9⅞	01/15/07	105.2915	9.3800
135 Russia	9¼	11/27/01	100.6375	9.1900
136 Hitachi Fin Brit	6⅝	06/06/00	100.3750	6.6000
137 Argentina FRN	5.6931	04/01/01	128.6000	4.4200
138 Ecuador FRN	6⅞	02/28/25	72.9375	8.8300
139 Brazil S.L FRN	6 5/16	04/15/09	87.4363	7.9300
141 Panama Int Red.	3½	07/17/14	75.2500	4.6500
143 Peru Frt Load.	3¾	03/07/17	59.2500	5.4900
146 Peru Pdi	4	03/07/17	64.5000	6.2000
150 Brazil Cband S.L	4½	04/15/14	90.7696	4.9600
152 Poland Inter	4	10/27/14	85.4063	4.6800
154 Sallie Mae	4½	08/02/99	96.5000	4.6600
158 British Gas Int	zero	11/04/21	16⅛	7.7600
161 Landes kas Oeff	6¾	05/21/02	100.8000	6.7000
164 Poland FRN	6 5/16	10/27/24	98.2475	7.0600
166 Bulgaria FRN	6 9/16	07/28/24	70.9375	9.2500
171 Brazil S.L FRN	6 5/16	04/15/12	82.9234	8.3700
176 Bco Com Ext.	7¼	02/02/04	92.1250	7.8700
177 British Telecom	6¾	04/25/02	100.9721	6.6900
182 World Bank	6⅝	08/21/06	99.6846	6.6500
183 Mexico C FRN	6.8203	12/31/19	92.4531	7.3800
187 Arg Bontes	8¾	05/09/02	99.5417	8.7900
188 Brazil	6	09/15/13	76.7533	7.8200
190 Brazil	8⅞	11/05/01	103.2628	8.5900
193 Bayer Landes	6¾	06/10/02	100.3750	6.7200
200 Italy	6⅞	09/27/23	94.3987	7.2800
204 Ecuador FRN	3½	02/28/15	73.8646	4.4000
205 Finland	5⅞	02/27/06	94.5000	6.2200
207 Ontario	7⅜	01/27/03	103.2500	7.1400
208 Mexico D FRN	6 9/16	12/28/19	92.5289	7.3600
212 IADB	6⅝	03/07/07	99.4066	6.6600
214 Canada	6¾	08/28/06	100.3498	6.7300
216 Mexico B FRN	6.8359	12/31/19	93.3685	7.3200
221 Bulgaria	2¼	07/28/12	54.2500	4.1500
222 Panama FRN	4	07/17/16	86.5625	4.6200
228 Anz Bank Grp	zero	01/16/98	95.9708	7.0900
229 Finland	7⅞	07/28/04	106.8750	7.3700
232 FMCC	6⅝	04/03/00	99.5000	6.4100
236 Banco Do Brasil	8⅝	06/15/02	99.6000	8.4100
237 Goldman Sachs	6 1/16	06/02/04	99.8700	6.0700
241 First Usa Credit	5.8975	02/10/10	100.0000	5.8900
244 Argentina	8⅜	12/20/03	101.3750	8.2600
247 Mexico	9¼	02/06/01	105.8750	9.2100
250 Spintab	6⅞	04/28/00	100.5100	6.8400

In Confident Market, Junk Bonds Star

Bloomberg News

NEW YORK — Investors are continuing to pour money into junk-bond mutual funds amid confidence that the rosy economic outlook means that companies with low credit ratings will not default on their debts.

Junk, or high-yield, bonds returned 0.73 percent last week alone, or 46.4 percent at an annual rate, according to data on a basket of 860 bonds tracked by Merrill Lynch & Co. That compares with a return of 0.41 percent for Treasury bonds for the week and 0.56 percent for high-grade corporate bonds.

"When you look at high-yield relative to other asset classes, it's still attractive," said Trudie Whitehead, who manages $500 million of junk bonds at Western Asset Management in Pasadena, California.

Hoping to tap into those gains, individual investors and brokers put a net $627.6 million into junk-bond funds in the week that ended Wednesday, according to AMG Data Services. That was the biggest weekly inflow in five weeks.

U.S. CREDIT MARKETS

Recent data showing that producer prices fell for the fifth straight month are giving investors more to cheer about. With barely any signs of rising inflation, the Federal Reserve Board does not have a strong case for raising interest rates, investors said.

That is good news for junk bonds because higher rates tend to depress bond prices and hurt corporate earnings by raising borrowing costs. With no evidence of an economic slump in the offing, the junk bond market is likely to keep rising, fund managers and analysts say.

"There seems to be nothing that's going to stop it at the moment," said Martin Fridson, a strategist at Merrill Lynch.

Many fund managers said cash was coming into the high-yield market from new sources. Insurance companies and pension funds, which in the past have avoided taking risks on high-yield bonds, are starting to buy more bonds that are rated below investment grade, they say.

New International Bond Issues

Compiled by Charlotte Sector

Issuer	Amount (millions)	Mat.	Coup. %	Price	Price end week	Terms
Floating Rate Notes						
Bear Stearns	$250	2004	0.25	99.6537	—	Over 1-month Libor. Callable from 2000. Fees 0.30%. (Bear Stearns Int'l.)
Citicorp	$300	2002	0.05	99.9138	—	Over 3-month Libor. Callable at par from 2000. Fees 0.175%. (Citibank.)
Gleneagles Funding	$520	2012	¼	99.15	—	Over 6-month Libor. Noncallable. Extendable until 2037. Fees 0.50%. Denominations $100,000. (Nomura Int'l.)
Korea Exchange Bank	$200	1998	0.45	100.00	—	Over 3-month Libor. Noncallable. Fees 0.05%. (Commerzbank.)
Postpankki	$100	2007	¼	99.627	—	Over 3-month Libor. Callable until 2012 thereafter 0.175 over 3-month Libor. Fees 0.40%. Denominations $10,000. (Salomon Brothers.)
Rossini	$1,000	2008	0.45	100.00	—	Over 6-month Libor. Average life 6.4 years. Fees 0.35%. Denominations $500,000. (Credit Suisse First Boston.)
Suedwestdeutsche Genossenschafts Zentralbank	$100	2002	libor	99.745	—	Interest will be the 3-month Libor. Noncallable. Fungible with outstanding issue, raising total amount to $350 million. Fees 0.175%. (Commerzbank.)
Svenska Handelsbanken	$300	1999	libor	100.058	—	Interest will be the 3-month Libor. Noncallable. Fees 0.10%. Denominations $10,000. (Salomon Brothers.)
3i Group	£100	2007	0.10	99.49	—	Over the 3-month Libor. Noncallable. Fees 0.25%. (SBC Warburg.)
Sweden	FF300	2007	0.30	100.00	—	Over 3-month Libor. Callable at par from 1998. Fees 0.25%. (Morgan Stanley.)
Fixed-Coupons						
ABN-AMRO Bank (Chicago)	$750	2007	7⅛	99.957	100.90	Noncallable. Fees 0.40%. (ABN-AMRO Hoare Govett.)
Associates Corp. of North America	$500	2002	6½	101.264	100.70	Reoffered at 99.914. Noncallable. Fees 1⅛%. (Morgan Stanley Int'l.)
Bank Austria	$200	2000	6⅛	101.0075	100.25	Reoffered at 99.82. Noncallable. Fees 1⅛%. (SBC Warburg.)
Beta Finance	$500	2002	6⅝	99.773	100.32	Noncallable. Fees 1⅞%. (Salomon Brothers Int'l.)
Benpres Holdings	$150	2002	7⅞	99.514	—	Noncallable. Fees 0.50%. (J.P. Morgan.)
Bremer Landesbank	$200	1999	6⅛	101.075	100.26	Reoffered at 99.975. Fees 1¼%. (Commerzbank.)
Dresdner Finance	$200	2001	6¼	100.40	99.58	Reoffered at 99.00. Noncallable. Fees 1⅞%. (Dresdner Kleinwort Benson.)
Kreditanstalt Fuer Wiederaufbau	$250	2001	6⅜	101.15	—	Reoffered at 99.75. Noncallable. Fees 1⅞%. (Nikko Europe.)
Landesbank Schleswig Holstein	$200	2000	6⅜	100.891	100.11	Reoffered at 99.7035. Noncallable. Fees 1⅞%. (CIBC Wood Gundy.)
Lloyd's TSB Group	$250	1998	6	99.97	—	Noncallable. Fees 0.10%. (Lehman Brothers Intl.)
Morgan Guaranty Trust	$300	2004	6⅝	100.928	100.02	Reoffered at 99.353. Noncallable. Fees 1⅞%. (J.P. Morgan Int'l.)
National Australia BA	$500	1998	6⅛	100.881	99.90	Reoffered at 99.8816. Noncallable. Fees 1.10%. (Nomura Int'l.)
New Zealand	$150	2002	6¾	99.95	—	Callable at par in 1999. Fees 0.25%. (Morgan Stanley.)
Safra Leasing	$150	2005	8⅛	99.757	—	Semiannually. Redeemable in 2000 at 99½ and in 2002 at 99⅝. Fees 0.45%. Denominations $100,000. (Deutsche Morgan Grenfell.)
SBC Jersey	$300	2002	6½	101.325	100.35	Reoffered at 99.70. Noncallable. Fees 1⅞%. (SBC Warburg.)
United Parcel Services	$300	2000	6¼	100.888	100.05	Reoffered at 99.70. Noncallable. Fees 1⅞%. (Merrill Lynch Int'l.)
Venezuela	$315	2007	9⅛	99.735	—	Noncallable. Fees 1.0%. Denominations $100,000. (ING Barings).
Voto-Votorantim Overseas Trading Operations	$400	2005	8½	99.543	—	Semiannually. Redeemable at 99½ in 2002. Fees 0.50%. (ING Barings.)
Westdeutsche Landesbank	$200	2001	6½	101.32	100.40	Reoffered at 99.92. Noncallable. Fees 1⅛%. (Daiwa.)
Bayerische Vereinsbank New York	DM2,000	2002	4½	98.89	99.15	Noncallable. Fees 0.25%. (Bayerische Vereinsbank.)
DSL Finance	DM300	2007	6	103.175	102.20	Reoffered at 101. Noncallable. Fungible with outstanding issue, raising total amount to 1.3 billion marks. Fees 2¼%. (Deutsche Morgan Grenfell.)
European Investment Bank	DM500	2003	5	101.06	99.95	Reoffered at 99.71. Noncallable. Fees 1⅞%. (ABN-AMRO Hoare Govett.)
Westdeutsche Landesbank	DM1,000	2004	5	97.53	—	Reoffered at 97.31. Noncallable. Fees 0.30%. (Bayerische Landesbank.)
Credit Suisse First Boston (London)	£150	perpt	8¼	99.503	—	Callable at par from 2009 thereafter interest is 0.100 over the five year guilt. Fees 0.75%. (Credit Suisse First Boston.)
Bayerische Landesbank	FF500	2007	4¼	100.325	—	Interest will be 4¼% until 2002 thereafter 0.08 over the TEC-10 index. Fees 0.325%. (J.P. Morgan Securities.)
Italy	FF5,000	2007	5⅞	101.594	100.65	Reoffered at 99.919. (Issue may be redenominated in euros after EMU. Fees 2%. (CDC Marches.)
Salomon	FF1,000	2002	5⅜	101.452	—	Reoffered at 99.902. Fees 1⅞%. (Societe Generale.)
Credit Suisse Financial	ITL200,000	2004	7.3	101.575	99.90	Reoffered at 99.95. Issuer has option to convert issue to a FRN with 0.25 interest over the 6-month Libor. Fees 1⅞%. (Credit Suisse First Boston.)
Toyota Motor Credit Co.	ITL200,000	2002	6⅝	101.575	99.90	Noncallable. Fees 1⅞%. (Credito Italiano.)
World Bank	SAR2,000	2027	zero	3.15	3.05	Yield 12.22%. Reoffered at 3.05. Noncallable. Proceeds 62.9 million rand. Fees 0.20%. (Societe Generale.)
Equity-Linked						
ABB Int'l.	$150	2004	2¾	100.00	—	Callable from 2000. Convertible at 2,701.89 suisse francs per share, a 21.82% premium, and at 1.432 sfr per dollar. Fees 2½%. (Credit Suisse First Boston.)
Samsung Electronics	$300	2007	zero	100.00	—	Redeemable in 2002 to yield 0.50 to 1.00 below Treasuries. Convertible at an expected 15 to 20% premium. Fees 2½%. Terms to be set June 19. (Deutsche Morgan Grenfell.)

The Week Ahead: World Economic Calendar, June 16-20

A schedule of this week's economic and financial events, compiled for the International Herald Tribune by Bloomberg Business News.

	Asia-Pacific	Europe	Americas
Expected This Week	**Brisbane:** Conference on working with the Native Title Act. Monday to Wednesday at the Sheraton Hotel. **Jakarta:** Indonesian Biotechnology Conference and Exhibition. Tuesday to Thursday. Jakarta Convention Center.	**Amsterdam:** European heads of government to discuss common currency and other topics. **Paris:** The Paris Air Show. Exhibitors show 200 aircraft, both prototypes and production models.	**Denver:** Heads of state and finance ministers from the Group of Seven leading industrial countries plus Russia hold their annual summit meeting.
Monday June 16	**Tokyo:** Economic Planning Agency releases a report on local economies. Ministry of International Trade and Industry releases revised figures for industrial production for April.	**Bern:** May producer and import prices. **Moscow:** European Union Trade Commissioner Sir Leon Brittan meets members of the Russian government to discuss Russia's bid to join the World Trade Organization.	**Brasilia, Brazil:** PSA Peugeot Citroen SA is expected to announce location of Brazilian car plant. **Washington:** Bretton Woods/Overseas Development Council holds meeting. Treasury Secretary Robert Rubin speaks about G-7 summit.
Tuesday June 17	**Melbourne:** Securities Institute of Australia holds corporate briefing. **Wellington:** Retail sales data for April.	**London:** May public sector borrowing requirement released. **Stuttgart:** The Bundesbank council member Hans-Juergen Krupp speaks to the public-sector union OeTV about the employment benefits of European monetary union.	**Mexico City:** Finance Ministry releases April industrial production. **Washington:** Labor Department reports consumer price index for May. Commerce reports May housing starts; Federal Reserve releases industrial production for May.
Wednesday June 18	**Tokyo:** Ministry of Finance releases figures on Japan's merchandise trade balance for May; Bank of Japan releases May money-supply figures.	**Frankfurt:** Bundesbank releases its June report. **London:** Office for National Statistics releases retail sales figures for May	**Mexico City:** Statistical institute releases May unemployment rate. **Washington:** Labor Department reports productivity and costs for the first quarter.
Thursday June 19	**Tokyo:** Organization for Economic Cooperation and Development releases its biannual report, "OECD Economic Outlook." **Sydney:** Government releases May merchandise import figures.	**Bern: Swiss National Bank holds one of its two annual press conferences to discuss monetary policy.** **Paris:** Final first-half final figures for job creation. Prime Minister Lionel Jospin delivers speech on his government's policy.	**Mexico City:** Communications and Transportation Ministry receives bids for a 50-year concession to run Mexico's Pacific-North railroad. **Washington:** Commerce Department reports trade balance in goods and services for April.
Friday June 20	**Tokyo:** Bank of Japan announces its monthly monetary and economic review. **Wellington:** Preliminary figures for housing permits in May.	**Copenhagen:** May consumer price index. **Madrid:** March unemployment rate. **Paris:** April industrial production figures.	**Caracas:** Weekly international reserves and money-supply figures. **Washington:** Treasury Department releases its May budget statement.

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Last Week's Markets

Stock Indexes

United States	June 13	June 6	% Ch'ge
DJ Indus.	7,782.04	7,435.78	+4.66
DJ Util.	224.60	222.33	+1.02
DJ Trans.	2,741.67	2,718.15	+0.87
S&P 100	869.94	837.16	+3.92
S&P 500	893.27	858.01	+4.11
S&P Ind	1,050.54	1,008.72	+4.15
NYSE Cp	465.17	448.13	+3.80
Nasdaq Cp	1,423.04	1,404.85	+1.29
Japan			
Nikkei 225	20,528.35	20,485.75	+0.21
Britain			
FTSE 100	4,783.10	4,645.00	+2.97
Canada			
TSE Indus.	6,558.30	6,492.20	+1.02
France			
CAC 40	2,808.52	2,719.25	+3.28
Germany			
DAX	3,744.44	3,695.29	+1.33
Hong Kong			
Hang Seng	14,112.55	14,655.13	−3.70
World			
MSCIP	931.30	901.36	+3.32

World index from Morgan Stanley Capital Int'l Perspective.

Money Rates

United States	June 13	June 6
Discount rate	5.00	5.00
Prime rate	8½	8½
Federal funds rate	5⅝	5⅝
Japan		
Discount	0.50	0.50
Call money	0.40	0.43
3-month interbank	0.57	0.56
Britain		
Bank base rate	6½	6½
Call money	6⅝	6½
3-month interbank	6⅝	6¾
France		
Intervention rate	3.10	3.10
Call money	3⅛	3⅛
3-month interbank	3 5/16	3 5/16
Germany		
Lombard	4.50	4.50
Call money	3.03	3.05
3-month interbank	3.13	3.18

Gold	June 13	June 6	% Ch'ge
London p.m. fix $	341.40	344.00	-0.76

Euromarts

Eurobond Yields

	June 13	June 6	Yr high	Yr low
U.S. $, long term	6.85	6.95	7.08	6.53
U.S. $, mdm term	6.50	6.61	6.83	6.10
U.S. $, short term	6.24	6.33	6.50	5.96
Pounds sterling	7.41	7.40	7.75	7.09
French francs	5.04	5.03	5.04	4.66
Italian lire	6.92	6.98	7.78	6.92
Danish kroner	5.58	5.63	5.92	5.38
Swedish kronor	5.30	5.41	5.61	4.82
ECUs, long term	6.31	6.33	6.42	5.76
ECUs, mdm term	5.43	5.51	5.52	4.76
Can. $	6.04	6.10	6.51	5.70
Aus. $	6.85	6.96	7.86	6.85
N.Z. $	7.40	7.38	8.39	7.19
Yen	2.14	2.14	2.14	1.64

Source: Luxembourg stock exchange.

Weekly Sales

June 12

Primary Market	Cedel Bk $	Cedel Bk NonS	Euroclear $	Euroclear NonS
Straights	607.4	583.6	3,500.6	1,048.1
Convert.	2.5	—	376.6	124.5
FRNs	416.7	1,203.5	411.0	238.2
ECP	15,470.6	7,362.5	17,304.7	9,698.0
Total	16,497.2	9,149.6	21,542.9	11,108.8

Secondary Market	Cedel Bk $	Cedel Bk NonS	Euroclear $	Euroclear NonS
Straights	28,530.1	18,903.1	110,577.7	31,592.7
Convert.	919.0	776.6	3,047.2	2,033.9
FRNs	18,856.4	7,275.9	55,387.2	7,278.7
ECP	14,682.8	12,865.6	24,675.5	26,532.8
Total	33,539.2	39,821.2	193,687.6	67,483.1

Source: Euroclear, Cedel Bank.

Libor Rates

	1-month	3-month	6-month
U.S. $	5 11/16	5 13/16	5 15/16
Deutsche mark	3 1/16	3⅛	3¼
Pound sterling	6 9/16	6⅝	6 13/16
French franc	3 3/16	3 5/16	3⅜
ECU	4⅛	4⅛	4 3/16
Yen	½	½	⅝

Sources: Lloyds Bank, Reuters.

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MARKETS

Dollar Rides On Hopes For Euro

Currency Should Gain If EU's Plans Hold Up

Bloomberg News

NEW YORK — The dollar may rise against the Deutsche mark this week if France and Germany manage to keep Europe's planned single currency on track, analysts said.

Signs that European economic and monetary union will go forward on time generally help the dollar rise against the mark because the planned single currency, or euro, is expected to replace the mark as Europe's main currency. The euro is scheduled to be introduced Jan. 1, 1999.

"The removal of the fear of an outright collapse of EMU will benefit the dollar," said Hillel Waxman, head of foreign exchange at Bank Leumi Trust Co. in New York, referring to the proposed European monetary union.

He predicted the dollar would trade in a range of 1.7265 DM to 1.7630 DM and between 114 yen and 117 yen this week.

Last week, the dollar rose to 1.7365 DM from 1.7253 DM the previous week and to 114.805 yen from 114.400 yen. The dollar was buffeted at times by concern over Japan's growing trade surplus with the United States and turmoil over the outlook for monetary union.

Investors were cheered by a U.S. government report showing that producer prices fell for a fifth straight month. Stocks and bonds rallied on the news, encouraging demand for dollars from overseas investors.

Warnings about possible trade tensions between the United States and Japan helped send the dollar to an eight-month low of 110.65 yen on Wednesday. But the U.S. currency rebounded Thursday after Japan's top currency official, Eisuke Sakakibara, head of the Finance Ministry's international department, said Japan would act to halt the yen's weakness.

"The intervention has been verbal," one analyst said. "The U.S. and Japan are comfortable with a range of 112 to 117 yen and are in cooperation to keep the dollar there."

■ Gains Seen for Japanese Bonds

Japanese bond prices appear likely to rise amid expectations that reports out this week will not give the Bank of Japan enough confidence in the economy to raise interest rates from record lows, Bloomberg News reported from Tokyo.

Bonds also are expected to get a push this week from a growing consensus that the U.S. economy is slowing.

"Dimming rate-hike concern in the U.S. is a plus for domestic bonds," said Shunji Sakami, chief strategist at LTCB Securities Co. Higher U.S. rates would put pressure on other central banks to follow suit.

Japanese bonds will remain strong because there is no economic indicator due this week that could change the perception that interest rates will remain on hold for now, said Yoshiaki Makishima, senior analyst at Sanyo Investment Research Co.

Bonds were only briefly sidetracked Friday by the Economic Planning Agency's report that the economy grew at a 1.6 percent pace in the January-to-March quarter, for an annual pace of 6.6 percent. Faster growth could spark speculation that the economy is strong enough to allow the central bank to raise rates.

Traders said they were now focusing primarily on the June 25 release of the Bank of Japan's quarterly *tankan* survey of business sentiment. "Next week, ahead of the tankan, it's going to be extremely tough to move," said Kenji Saito, a portfolio manager at Sakura Investment Trust Management.

Firm Bets on High-Tech Bandages

By Erik Ipsen
International Herald Tribune

WINSFORD, England — Keith Gilding is a man professionally unfazed by human frailty. From minor scrapes and cuts to what he describes as "huge erupting lesions where the stench of the exudate is overpowering" they stand merely as his challenges, and the grislier the better.

As a co-founder and managing director of a company that makes high-technology wound dressings — from the kind you stuff into festering body cavities to the kind you peel off and wrap around your finger — Mr. Gilding depends on wounds.

What he loves though are polymers, wonderfully simple and flexible chemical compounds that can be as hard as nails or as soft as skin. It is polymers that lie at the heart of Innovative Technologies' state of the art dressings.

In place of cotton and the adhesive backed vinyl of yore, six-year-old Innovative Technologies offers everything from alginates — the water absorbing cells of seaweeds like kelp — to hydrocolloids, synthetic rubbers as flexible as flesh.

As a chemist by training and a polymer specialist by dint of a long career spanning polymer operations from those of Royal Dutch/Shell and Johnson & Johnson to a series of small start-ups, Mr. Gilding is convinced that his customized compounds can reduce medical costs. In the process he also fully expects they will make his fortune.

His pitch to hospitals has a nakedly mercenary appeal.

"We tell them, We want to help you save money," said Mr. Gilding. By using, for instance, alginates that absorb 20 times their weight in liquids versus traditional cotton gauzes that absorb only three times theirs, and then by covering those alginates with special, breathable films, the company claims it can extend the life of dressings by up to 10 times. In hospitals where it costs an average of $50 to have a nurse change a dressing that can amount to a significant saving.

Innovative Technologies' roots stretch back to the potting shed in Mr. Gilding's garden. It was there in the autumn of 1991 that he began cooking up the specific polymers that became the essential ingredients for all the company's dressings.

With cash from a wealthy South African investor, the company was officially started in December 1991. Three years later it went public at 120 pence a share. Now it trades for around 300 pence a share, giving the company, which in the best traditions of the high tech medical industry has never made a penny in profit, a market value of just under £100 million ($163 million).

What excites investors and Mr. Gilding alike are estimates that the high-tech "woundcare" market might be worth $2 billion a year and is growing fast.

Last year, Innovative Technologies shifted its main emphasis from research to production, posting losses for the year of £4 million on sales of £1.4 million. This year the company expects to break into the black on a monthly basis in December, and then to consign their red ink to the bottom drawer thereafter by remaining profitable.

Unusually, Innovative Technologies doesn't license its technology out to others, but rather produces its products itself. Distribution and marketing, though, are left to 16 partner companies around the world, ranging from 3M in the United States to Nikomed in Japan.

Cliff Gundle, the South African entrepreneur whose cash helped start up the company, attributes its success not only to its patented technology but to something he calls "teamsmanship." Specifically, he points to the team of Mr. Gilding and Diane Mitchell, the former geneticist turned IT executive director, who is also Mr. Gilding's wife.

"I am no 'yes man,'" said Ms. Mitchell, adding that their "round the clock partnership" has been a plus for the company.

U.S. Challenges a Suharto Pet Project

By David E. Sanger
New York Times Service

WASHINGTON — The Clinton administration's announcement Friday that it would ask the World Trade Organization to rule against Indonesia's national car project, a program run by President Suharto's son that puts foreign companies at a disadvantage in the county's potentially huge automobile market, was the first direct U.S. challenge to the financial empire of the president of Indonesia.

The challenge comes after months of unsuccessful negotiations with Indonesia that have been the subject of extraordinary scrutiny in Washington because of campaign-finance scandals.

In President Bill Clinton's first term, the Riady family of Indonesia, which is at the center of the investigations, repeatedly played an intermediary role in an effort to smooth relations between Mr. Suharto, Asia's longest-serving leader, and the White House.

Friday, however, the administration was under pressure to show that it was giving no special treatment to Indonesia, and in recent weeks relations have hit some new lows.

Reacting to sharp criticism in Congress of its treatment of dissidents in East Timor, Indonesia on June 6 canceled the purchase of nine F-16 fighters. Mr. Suharto, in a letter to Mr. Clinton, complained of "wholly unjustified criticism" of Indonesia in Congress.

Separately, the State Department criticized the recent elections in Indonesia, declaring that the country's "electoral system severely limits political competition" and that "Indonesian citizens do not have the ability to change their government through democratic means."

Whether Washington would challenge the car project, however, was widely viewed as a test of the administration's willingness to confront Mr. Suharto over a business directly linked to his family's fortune. The project began in February 1996 by presidential decree. It is controlled and managed by Hutomo Mandala Putra, better known as Tommy Suharto, the president' son. And the cars it sells enjoy exclusive exemption from the huge tariffs and luxury-sales taxes applied to the import of foreign cars and parts.

Those tariffs have been a major point of contention because Indonesia, with 200 million people, is viewed as one of the most promising car markets in Southeast Asia.

The younger Suharto does not yet make any cars; he imports the Timor, as the car is known, tariff free from Kia Motors Corp. of South Korea. Other car makers pay tariffs and taxes of up to 200 percent, meaning that a $15,000 car costs $45,000 by the time it reaches an Indonesian consumer.

The arrangement so enraged the European Union and Japan that they have already challenged the program

NEWS ANALYSIS

before the World Trade Organization, and the first hearings of a dispute resolution panel are expected to begin this summer.

By the accounts of most experts familiar with the General Agreement on Tariffs and Trade, the worldwide pact that covers state subsidies, tariffs and other trade measures, Indonesia has little chance of winning its case at the WTO.

Yet the Suharto government has vowed to fight for the project, which is based on an experiment in neighboring Malaysia where a national car called the Proton is being built.

An administration official familiar with the case said Friday that he did not doubt the case would be difficult for the Indonesians. "They have to go back to the big boss and say 'no go' on this," he said.

The official said that the filing made in Geneva on Thursday was intended to preserve Washington's right to join the European and Japanese case, and thus to help force Indonesia to reach a settlement that would avoid an embarrassing loss in front of the World Trade Organization.

The pressure to end the project's preferential treatment, however, is only one of the problems the Suharto family has run into as it ventures into the auto business. Indonesians appear to dislike the car itself.

Trade industry reports indicate that sales are running at only 2,000 cars a month, half of the initial target. To increase sales, the government recently said it was thinking of requiring government agencies to buy the Timor for their fleets.

Even The Jakarta Post has written in an editorial that the project was "seemingly guided more by nationalistic sentiment and politics than by industrial logic."

JUMBO: *Flying in the Face of Boeing's Monopoly, Airbus Plans a Larger Long-Haul Jet*

Continued from Page 1

tor. Airbus officials say the 747 is a cash cow that enables Boeing to undercut prices on smaller aircraft.

Boeing has abandoned plans for its own superjumbo, and, according to Mr. Pierson, it has every reason to prevent Airbus from building such an aircraft. He said the merger with McDonnell Douglas and the exclusive airline deals could give Boeing "the means to financially throttle Airbus and prevent it from completing its product line, especially the A3XX, to end the Boeing 747 monopoly."

The head of Boeing's commercial aircraft group, Ron Woodard, said the company already had a 600-seat capacity aircraft — the 747-400, which already operates on short-haul flights in Japan with 550 seats. He said 600 passengers could be fitted in but conceded that such a load would be "probably not a lot of fun."

The A340-600, scheduled for delivery in 2001, envisages a three-class layout and routes as long as 13,500 kilometers (8,400 miles) — nonstop from Singapore to London, for example.

Airbus is also working on a longer-range version of the aircraft, the A340-500, designed to carry as many as 313 passengers on routes as long as 15,400 kilometers, making it the world's longest-range airliner. Airbus said it was working with a group of about 20 potential customers on their requirements before announcing the program's launching.

Airbus said it had identified a market for as many as 1,400 aircraft with 550-seat capacity and above. But the leaders of British Aerospace PLC, one of the Airbus partners, said the superjumbo project would fail unless the consortium rapidly transformed itself into a limited company. John Weston, chairman of British Aerospace, said that if Europe did not regroup its aircraft-building capabilities into a single force, it would be unable to compete with Boeing and Lockheed Martin Corp. The managing director of British Aerospace, Chris Geogheghan, said the company could not consider a huge investment on the A3XX "without a fundamental change being made along the lines of the single corporate entity."

That view was echoed by Serge Dassault, the head of the French aircraft maker Dassault Aviation SA, who said the French aerospace industry risked being relegated to second-class status unless it participated in a restructuring of the European industry. The restructuring has been placed in doubt by the election of a Socialist government in France, which is opposed to privatization and could halt a planned merger between privately owned Dassault and state-owned Aerospatiale, the French partner in the Airbus consortium.

"I remain in favor of a merger with Aerospatiale provided it occurs simultaneously with privatization," Mr. Dassault said. He added that he would be content if the state kept 49 percent of the shares in the merged company.

Industry executives are awaiting a speech by Prime Minister Lionel Jospin that will conclude the air show next weekend and which they hope will clarify France's position.

The Airbus partners, which also include Daimler-Benz Aerospace AG of Germany and Construcciones Aeronauticas SA of Spain, signed a memorandum of understanding in January to pool their assets into a single corporate entity. But last week, Yves Michot, the chairman of Aerospatiale, said the Airbus facilities should continue to be owned separately by the partner companies.

Airbus needs to acquire corporate status to tap into capital resources and attract new partners, according to industry analysts. Ministers from the Airbus partner nations were scheduled to confer at the air show Monday. The president of Britain's Board of Trade, Margaret Beckett, said, "I shall be actively encouraging the restructuring of Airbus to enhance its international position."

HIGH-TECH: *Chinese Enterprise Prepares for a Leap Forward*

Continued from Page 1

state-owned company to make integrated circuits.

The shift in Chinese industry has important implications for U.S.-China relations. Last year, Chinese exports of appliances to the United States exceeded those of textiles or toys. This new wave of exports is likely to thwart U.S. efforts to reduce its politically sensitive trade deficit with China. Depending on whether Chinese or U.S. estimates are used, that deficit is between $20 billion and $40 billion, and it is growing steadily.

"China is looking to move up the value-added ladder," a U.S. official said. "I expect the deficit will increase over the next few years as a result of China being able to produce higher value added on its own or with the help of joint ventures."

For now, much of China's advance has been into what might be called "middle tech." Here in Wuxi, Bosch-Siemens Hausgerate GmbH has set up a plant to make washing machines, and Matsushita Refrigeration is making air conditioners.

Some business people and consultants doubt whether China can join the ranks of the most technologically sophisticated nations in the near future, because of its weak educational system, restrictions on the free flow of information and government interference in industrial planning.

"China is building the world's biggest dumb economy," one Beijing executive said, adding that the designs and innovations for most factories were still imported.

Many of the big names in high technology have initially only set up assembly plants here. For some, only the packing material is locally sourced.

Even Wuxi Little Swan, one of the country's most sophisticated companies, with a 45-person research and development department, remains dependent on technology provided by the Japanese industrial giant Matsushita.

Little Swan has its own subsidiary that makes the computer control boards for washing machines, but that subsidiary imports printed circuit boards and small electronic components from Japan.

There are stumbling blocks ahead as China goes high-tech. High-tech does not necessarily mean high profits, and the government's helping hand is not always adept. China is trying to make its leap toward high technology by command from above instead of initiatives from the grass-roots level of the economy. This is an economic-planning model that has failed several times since the Communist Party took power in 1949.

A semiconductor plant built by AT&T Corp. in Wuxi shows the dangers of this strategy. Both AT&T and a local state-owned company invested scores of millions of dollars and have lost millions more since it opened, industry sources say. Part of an earlier plan to boost China's semiconductor industry, the plant's technology was quickly overtaken. The Chinese joint-venture partner never understood the technology and was not nimble enough to adapt as the market changed.

Lucent Technologies Corp., now the operator of the plant, declined to comment. But competitors say the plant fabricates semiconductors that are years out of date. The generations of semiconductor wafers are measured in the size of the chips. The Wuxi plant is at least two or three generations behind, making chips that measure two microns, while current technology has squeezed the size to half a micron.

"Management doesn't understand that technology doesn't stand still," said one competitor. "Once you set up an operation and six months or a year goes by, if you don't upgrade the technology, the plant is outdated by the time it's built."

"A lot of machines are sitting around rusting," said a Hewlett-Packard procurement expert who has seen other high-technology plants. "Just investing money isn't enough."

Another problem is that successful Chinese companies tend to start acting like traditional state-owned enterprises, adding perquisites for workers while neglecting investment in research and development.

While textile factories in southern China continue to rely largely on migrant women in their late teens or early 20s to toil at low pay, in Wuxi, Siemens employs 127 well-paid, university-educated Chinese and has sent nearly half of them to Malaysia for additional training.

Can high-powered executives be far behind? Bill Gates, the founder of Microsoft Corp., has formed alliances with the top Chinese computer firms to lock them into his company's operating system. Similarly, Intel, as it does in other countries, helps people here develop software on machines that use Intel chips.

Some U.S. companies still hesitate to transfer their most sophisticated technology. Others, however, say that using the best technology will make it more difficult for people trying to copy their products.

"All of our machines are copied in China," said Clemenz Bahr, general manager of Wuxi Buhler Machinery Manufacturing Co., which holds about 70 percent of the Chinese market for food-processing machines. "Let them do it. The quality is so lousy, it makes me happy."

SHORT COVER

McCarthy Buys a 33% Stake in Branson's V2

LONDON (Reuters) — McCarthy Corp. PLC, a leisure and technology investment company, said Sunday it had acquired a 33 percent stake in Richard Branson's V2 Records for £55 million ($89.9 million).

"Richard Branson's credentials in the music world are impeccable, and we are delighted to be able to participate in the development of what we are sure will become a highly successful international music and publishing business," McCarthy said. It said the £45 million cash portion of the transaction was payable in equal installments over 40 months.

McCarthy also agreed to provide a debt facility of £10 million to be available within two years of completion of the acquisition. It said £7.5 million of financing had been provided and further financing was expected pending completion.

V2 was Branson's vehicle to return to the music business after his sale of Virgin Records in 1992. It is currently releasing its first records, and it plans eight major album releases by the end of the year. Artists signed include Sterophonics, Heather Nova, Jungle Brothers and Addict.

Netscape Says Flaw Has Been Repaired

WASHINGTON (AFP) — Netscape said it had fixed a flaw in its Internet browser software that could make data stored on home computers accessible to Web-site operators.

The "patch," or repair job, was announced less than a day after Netscape said a Danish company that detected the flaw had demanded money in exchange for its help in eliminating the bug.

The patch is being tested and should be available soon, a Netscape spokeswoman, Catherine Corre, said. Despite the flaw, she said that it would be "very difficult" for Web-site operators to penetrate the security system and gain access to a user's files.

Alcatel of France Wins 5-Year Irish Contract

PARIS (Bloomberg) — Alcatel said it had won a five-year contract to supply digital telephone-switching equipment to Telecom Eireann. The value of the transaction was not disclosed.

The contract calls for Alcatel to help expand and modernize Telecom Eireann's telecommunications network as one of two major switching equipment suppliers, the French company said.

Alcatel said it had acted as a supplier of a variety of digital equipment to Telecom Eireann, Ireland's state phone operator, since 1981.

China's Fixed-Asset Investment Rises 15%

BEIJING (AFP) — China's fixed-asset investment in the first four months of this year was up 15 percent from a year earlier, the official Xinhua news agency reported Sunday, quoting the State Statistics Bureau.

The country pumped 242.5 billion yuan ($29.2 billion) into fixed assets during the period, 139.5 billion yuan of which went into capital construction, which was up 18.8 percent, the bureau said.

Some 44.6 billion yuan, or 18.4 percent of the total, went into technical upgrades, the bureau said.

2 Concerns Seek to Exploit Chinese Gold Mine

BEIJING (AFP) — The Australian mining giant Broken Hill Pty. and Newmont Mining Corp. of the United States are vying for a stake in China's Lannigou Gold Mine project, the official China Daily Business Weekly reported Sunday.

China National Gold Corp. plans to choose a partner based on feasibility reports the two companies must submit by Aug. 10.

Both companies have expressed an interest in the long-awaited mine "for many years" and want to explore surrounding areas as well, the newspaper said. The mine's main vein, located in Guizhou Province, has a proven gold reserve of about 60 metric tons, according to Chinese figures.

Dassault Provides Papers to Belgian Court

BRUSSELS (Reuters) — The French industrialist Serge Dassault has handed over documents relating to a bribery investigation to the Belgian judiciary, Prime Minister Jean-Luc Dehaene of Belgium said Sunday.

A court in Liege lifted a year-old international arrest warrant against Mr. Dassault on Friday, but it was not clear what had prompted the move.

"I understand that Mr. Dassault and his lawyers have passed documents to the Liege judiciary," Mr. Dehaene said on Belgian television. He said he did not know whether this was why the warrant had been lifted and denied that there had been political pressure on the judiciary to do so.

The court issued the warrant for Mr. Dassault in May 1996 in an inquiry into allegations that Mr. Dassault paid 600 million Belgian francs ($17 million) to political parties to gain a contract to fit air-defense systems to Belgian F-16 jets in the 1980s.

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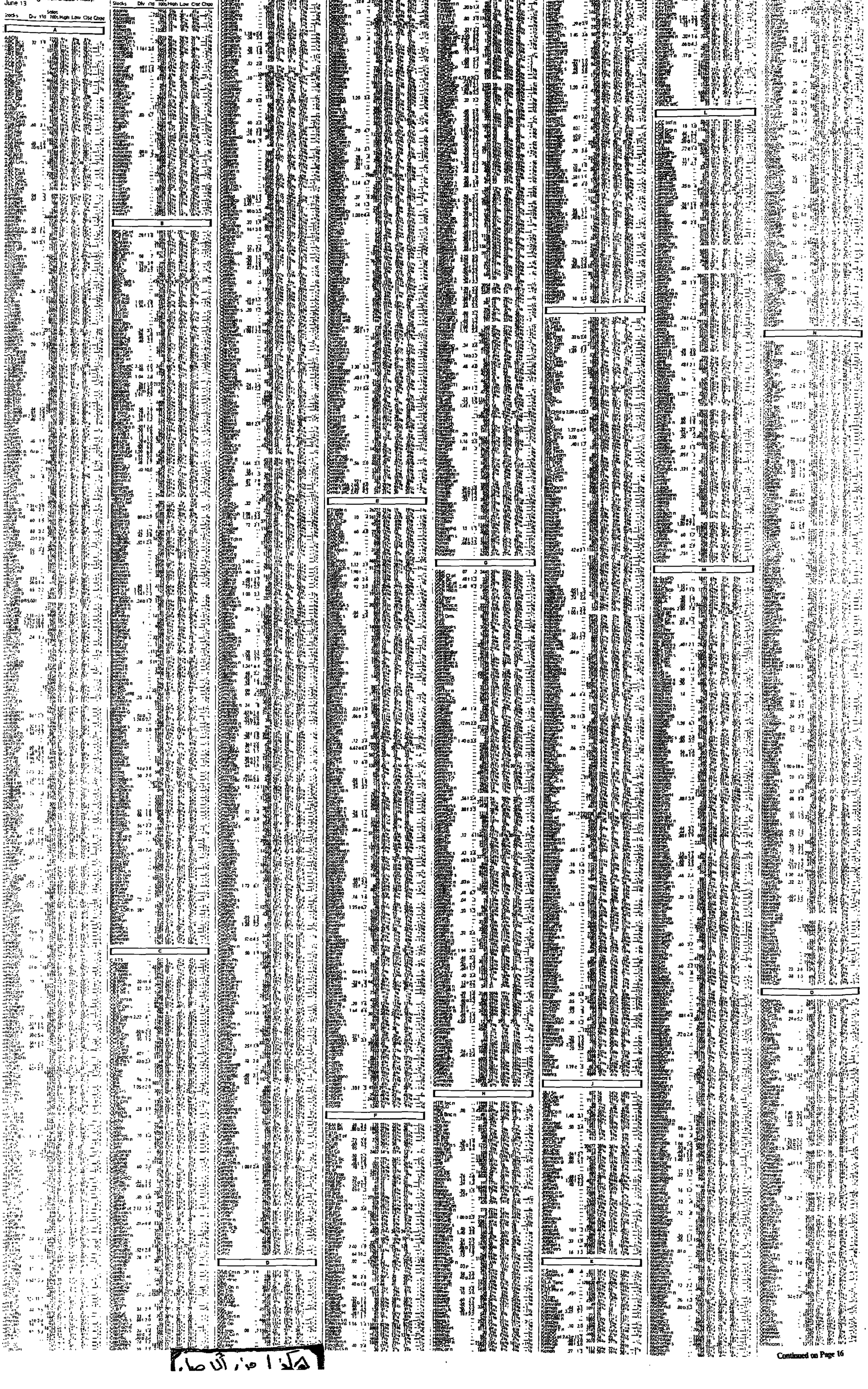
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NASDAQ NATIONAL MARKET

Consolidated prices for all shares traded during week ended Friday, June 13



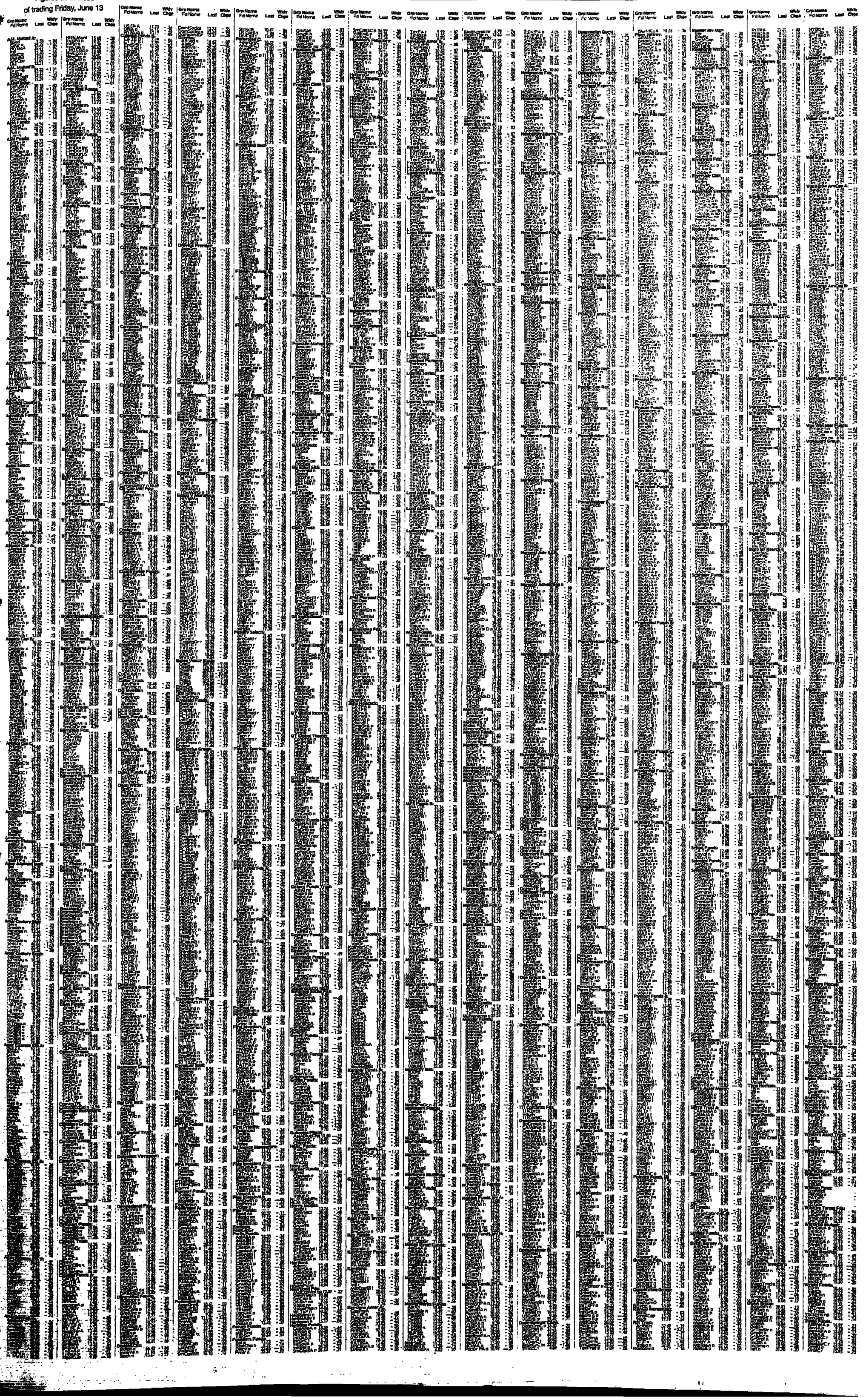
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MUTUAL FUNDS

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MUTUAL FUNDS

Figures as of close of trading Friday, June 13



NASDAQ NATIONAL MARKET

Consolidated prices for all shares traded during week ended Friday, June 13

(Continued)



DENNIS THE MENACE



"IT'S GOOD TO HAVE AT LEAST ONE FATHER'S DAY, SINCE ALL THE OTHERS ARE WOMEN."

PEANUTS



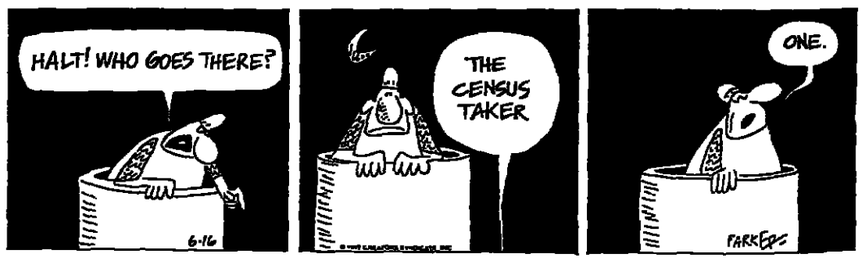
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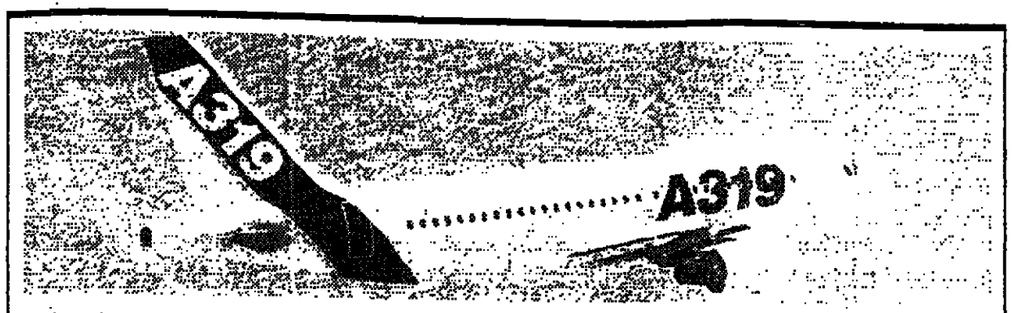
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Aviation

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PART I



Although Airbus plans to build a long-distance A3XX, it is also pinning hopes on its medium-haul A319.

Industry's 2 Superpowers Face Off

By Barry James

PARIS — The head of Airbus Industrie accused the U.S. government on Sunday of supporting a "hegemonic" attempt by its rival, the Boeing Co., to eliminate the European aircraft builder.

Jean Pierson called Boeing's planned takeover of McDonnell Douglas Corp. "a project aimed at suppressing what has always been considered by some in the USA as an anomaly: real competition, a real alternative to an American monopoly in the aerospace industry."

Mr. Pierson was speaking at the Paris Air Show soon after it opened to the public on Sunday. As aircraft from all over the world vied for attention in the air and along the taxiway at Le Bourget airport, the real action was taking place in a conference room where Airbus and Boeing engaged in their traditional start-of-show dogfight.

Like fighter pilots lobbing missiles at one another, Mr. Pierson and his Boeing rival, Ron Woodard, president of the commercial airplane group, never came face-to-face. Rather, they traded disparaging remarks and claims at back-to-back news conferences.

Mr. Woodard's accusation that Europeans had turned a blind eye to human rights in China so that Airbus could sell planes was one that particularly angered Airbus. "Boeing never wants to admit that Airbus makes a better airplane," said one official, pointing out that the consortium had built a large parts warehouse and training center in China as part of an extensive campaign to win orders there.

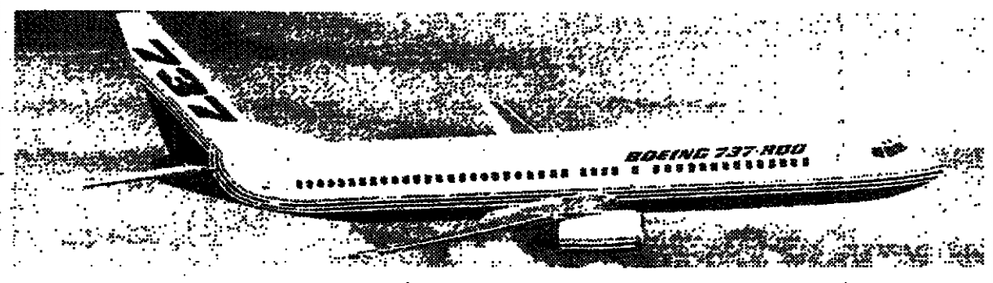
Most of Mr. Pierson's considerable ire was directed at Boeing's planned takeover of McDonnell Douglas, and by the 20-year exclusivity deals that the Seattle manufacturer has signed with three of the world's largest airlines, American, Delta and Continental.

Because airliners remain in service for at least 20 years, he said, the exclusivity deals were the equivalent of removing the three carriers from the marketplace "for eternity."

He declined to comment on talks in Brussels on Friday between the European Union's competition (antitrust) department and Boeing and Airbus executives. He said, however, that the EU had every right to start an inquiry because European laws apply to companies doing business in Europe just as American laws apply to foreign companies doing business in America.

In a written "personal view," Mr. Pierson said U.S. security needs do not justify the creation of a conglomerate incorporating the civil and defense activities of both companies. Instead,

Continued on Page 19



Boeing has dropped out of the superjumbo race and is focusing on the next generation of its 737 family.

Will the Cost Battle Ever Be Won?

Fierce Competition Forces Airlines to Seek Cuts Constantly

By Conrad de Aenlle

LONDON — When airlines tell you you're flying economy class, they mean it. For one passenger on a flight last month from London to Washington on a respected, financially sound American carrier, the check-in procedure was handled by a 20ish "temp ramp clerk," as his badge stated — code for a summer replacement. He gave the passenger's passport away to another American and then neglected to give back the return portion of the ticket.

"You know what it is, we're having to cut costs," an apologetic chief flight attendant told the passenger after he had related the experience in a plea for sympathy, a newspaper and a drink. The cuts extend to high altitude, she confided: "Instead of giving us enough people to do the job properly, they tell us we'll have to get by with a crew two people short. This isn't the way it was meant to be done."

It is not clear exactly what the passenger thought when he arrived in Washington and found that his luggage had not been so lucky. But to an airline executive assigned the task of growing profitability — or turning a profit at all — in a viciously competitive industry, cutting costs is exactly the way it was meant to be done.

The cost of running the world's commercial air fleet fell by nearly 8 percent between 1991 and 1993 — still more when adjusted for inflation — to 44.1 cents per available ton-kilometer, in the arcane argot of aviation statistics. An ATK represents one ton of airplane traveling one kilometer (0.6 miles).

The year 1993 was an all-time low point in many respects for the industry. It was the culmination of a four-year financial bloodbath in which the world's airlines lost about $20 billion. Since then, unit operating costs have crept back to 46 cents per ATK, not bad considering that the price of fuel, one of the biggest costs of flying, rose 23 percent between 1994 and 1996.

During the same time, airlines re-

Continued on Page 19

Airbus Bets Heavily on Its China Card

By Michael Richardson

SINGAPORE — By signing a joint venture agreement recently with Chinese and Singapore companies to develop and manufacture a regional Asian Express Airbus twinjet airliner, European planemakers are hoping to give a major boost to Airbus sales in Asian and global markets.

They see a potentially big payoff if the venture, as expected, helps promote sales of Airbus planes and related European aircraft in China, where the European consortium's archrival, Boeing Co., has a dominant, though declining, market share.

Marking the importance of the Chinese market, President Jacques Chirac of France traveled to Beijing in May to witness, along with his Chinese counterpart, Jiang Zemin, the signing of the framework agreement for the joint venture.

The agreement was signed between AVIC, the state-owned Aviation Industries of China, a European group comprising Airbus Industrie and the Italian firm Alenia SpA, and a Singapore government-controlled company, Singapore Technologies Pte Ltd. Under the terms of the accord, two versions of the new jet, to be known as the AE310 and AE317 — AE stands for Asian Express — will be made.

The plane will be in the 95-to-124 seat range and is scheduled to begin service by 2003.

The project will be managed by a company that will be set up in China with a planned shareholding of 46 percent by AVIC, 39 percent by Airbus and Alenia, and 15 percent by Singapore Technologies, whose aerospace unit services and upgrades aircraft and manufactures aviation parts for Airbus and other planemakers in Singapore.

Mr. Chirac and Mr. Jiang also witnessed the signing of a Chinese order for 30 Airbus jets worth $1.5 billion.

Airbus is fighting hard to gain a bigger share of the Chinese aviation market, the world's fastest growing market for civilian airliners.

China is expected to buy 10 percent of the $124 billion in total new aircraft orders worldwide over the next 20 years, according to Boeing estimates.

Until Airbus signed the agreement in May to supply 30 more jets to China, Boeing reportedly had about a 60 percent share of aircraft operating or ordered by China, compared to 15 percent for Airbus.

But Airbus aircraft in operation or to be delivered to China now total 65, almost triple the 33 ordered or in use at the end of 1995. In 1996, Airbus outsold Boeing by nearly three to one in terms of the value of Chinese orders.

The 124-seat A319 is currently Airbus's smallest aircraft.

THE new AE series will fit in below the A319 and will have similar flight decks, computerized controls and other features of the Airbus product line to lower development and operating costs.

For carriers with Airbus fleets, such compatibility will reduce a wide range of costs, from stocking spare parts to pilot training.

More importantly for Airbus, it could encourage buyers to move to bigger aircraft in the Airbus family when they decide to buy larger planes.

The May agreement marked another major stride forward for China as it tries to build a world-class manufacturing base for commercial jet airliners, one of the last industrial bastions still dom-

Continued on Page 18



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AVIATION / A SPECIAL REPORT

Are Passengers the Losers In Airline Partnerships?

Carrier You Choose May Really Be Another

By Barry James

PARIS — Passengers flying the "friendly skies" of United-Lufthansa-SAS-Air Canada-Thai Airways-Varig may not know it, but they are part of a trend as alliances between carriers become more formal and widespread.

The airlines say that this is all in the interest of offering passengers a "seamless" — their most popular buzzword — service from any point in the world to any other.

But more to the point as far as the airlines are concerned is that alliances are good for their bottom line. They can share facilities with other airlines and expand their route network at relatively little cost. However, the trend worries some passenger organizations and unions representing airline crew.

There is a danger of less competition and thus higher prices as airlines coalesce into ever larger sales and marketing organizations. There is a danger of deceptive packaging in that the airline you actually fly may not be the one you thought you were booking for. In fact, some airlines, including the one that bills itself as the world's favorite, have started to franchise their flight operations, allowing small independent carriers to wear their livery and serve as feeder operators to main hubs.

Airline crew organizations are concerned about the increasingly prevalent practice of keeping staff at overseas bases where costs are lower, and by the interchanging of crew on some flights. The Association of Flight Attendants in the United States has expressed concern to the Federal Aviation Administration about the lack of English skills of some cabin staff seconded to American carriers as part of alliance arrangements.

But some airlines argue that basing their crew on other operators' flights enables them to retain their identity within the alliances.

Delta Airlines reserves blocks of seats on the flights of airline partners and puts its own attendants aboard to look after its passengers. Aer Lingus crews don Delta uniforms on some flights. A service from Vienna to Washington is operated by Austrian Airlines but carries extra cabin staff from Swissair and Delta. Japan Air Lines puts some of its stewardesses aboard the flights of Air France and other partners to enable them to hone their language skills.

Until now, most of the more than 360 airline alliances around the world have been simple code-sharing arrangements, but often without much thought being given to coordinating flight schedules.

In code-sharing, two or more airlines put a single two-letter code on their flights, which then shows up on computer reservations systems used by ticket agents and travel agencies as though it were a single flight.

Code-sharing can benefit the customer by providing a total travel package, and avoiding the need to check in baggage at each connecting point. But it can also make it harder for passengers to find perhaps less convenient but cheaper connections, particularly where these are not prominently displayed on computer reservation screens.

The loose partnerships and bilateral deals are giving way to much more formal arrangements that might be described as mergers were it not for restrictions on airline ownership. Passengers flying with the new Star Alliance — the consortium headed by United and Lufthansa — will be able to amass frequent flyer miles for travel on any one of the partner companies, while the airlines have put in place an integrated sales, marketing and reservations system. The next logical step, airline analysts say, will be a common fare structure.

There has been, however, no exchange of equity, and the member airlines keep their own identity within the alliance. Nevertheless, the alliance system raises questions about the brand loyalty that airlines have struggled to establish over the years.

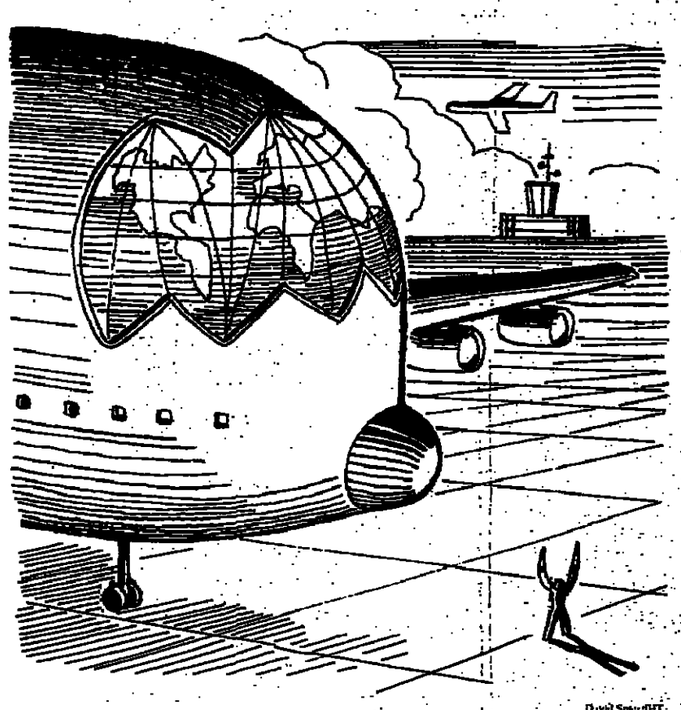
The Star Alliance may be the shape of what the entire airline market will look like within a few years. Philippe Bruggisser, president of the SAirGroup that owns Swissair, told World Airline News recently that "competition between companies is over. The future is going to be competition between systems, and I can see five to seven big systems emerging on the world market."

The proposed partnership between British Airways and American Airlines — giving those two carriers the lion's share of traffic between London and the United States — is still in doubt. The U.S. Department of Transportation has asked the airlines to submit more evidence justifying the partnership, while the European Union is insisting that the airlines divest up to 400 of their airport slots to make room for rival operators.

Robert Crandall, the head of American Airlines, told shareholders recently that the carrier may have to be content with a simple code-sharing arrangement with British Airways rather than the proposed formal arrangement, which would have enabled the airlines to combine their frequent flier programs, pool revenues and coordinate schedules. This would be bad news for British Airways, which sold its interest in USAir for what seemed to be a much broader access to the U.S. domestic market in partnership with American.

The United States started allowing code-sharing on domestic routes in the 1980s, and later allowed American carriers to conclude similar agreements with foreign airlines as a way of getting around the restrictions imposed by most governments.

One major legal hurdle, though, was that under U.S. law, companies are not supposed to collude to fix prices or schedules, which is implicit in some of the partnership arrangements. The United States, therefore, offered antitrust immunity to airlines in countries which agreed to conclude "open skies" deals allowing free reciprocal access to American carriers.



David Suter/IHT

Airbus Bets Heavily on China In Bid to Bolster Sales in Asia

Continued from Page 17

inated by the United States and Europe.

In return for better access to Western aerospace technology, know-how and assured airworthiness certification, China will contribute lower production costs and a large share of the estimated $1.7 billion to $2 billion development cost of the program.

China is also expected to be a major customer for the AE series of aircraft. Singapore Technologies has estimated that potential global demand for the AE family could amount to 2,000 to 3,000 planes over the next 20 years.

"We foresee a strong opportunity in the growing regional aircraft market," Juan De Uriarte, Airbus Industrie Asia's senior vice president for marketing, told Aviation Week & Space Technology magazine recently. "We need to fill a gap at the bottom of Airbus's product range, and this is another good reason for concluding the agreement."

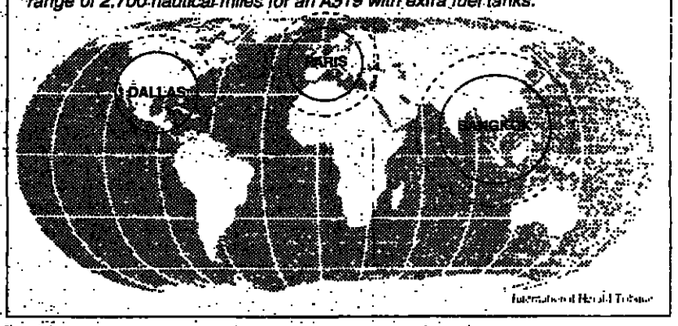
He said that the primary goal of the joint venture was to win a 30 percent share of the global market for aircraft in the 70-seat to 150-seat class.

That market is forecast to grow to about 5,400 planes over a 20-year period, Mr. De Uriarte added.

MICHAEL RICHARDSON is Asia Editor of the International Herald Tribune.

A319 Range Capability

The inner circles show the A319's basic range of 1,900 nautical miles with a full payload of 124 passengers and baggage. The outer circles represent a range of 2,700 nautical miles for an A319 with extra fuel tanks.



International Herald Tribune

So Far, U.S. the Winner in Asia 'Open Skies' Pacts

By Michael Richardson

SINGAPORE — A spreading patchwork quilt of "open skies" agreements finalized between the United States and Asia-Pacific countries since April is offering passengers the prospect of more services at lower prices in the world's fastest growing aviation market.

The agreements between the United States and Singapore, Taiwan, New Zealand and Brunei remove government regulations on routing, capacity, frequency, pricing and code-sharing in commercial aviation between and beyond the signatory countries for the airlines of those countries. They apply to both passenger and cargo services. U.S. officials say they are negotiating similar bilateral accords with Malaysia and South Korea.

But analysts say it may take years for the new aviation arrangements to spread throughout the Asia-Pacific region, eventually merging into a wider multilateral accord.

Until they do, the United States stands to gain most from the "open skies" accords it has initiated because American airlines can draw far more passengers from their huge domestic market than any of the Asia-Pacific carriers can draw from their home markets.

Under the agreements, restrictions on international services are lifted but foreign carriers are not allowed to operate within the U.S. market, which alone accounts for about 30 percent by value of the global passenger market.

Colin Gibson, publisher and executive editor of Asian Aviation magazine, said that countries that were willing to negotiate open skies agreements with the United States either had competitive airlines and/or governments that gave priority to promoting tourism, business travel and air freight efficiency over the protection of local carriers.

Jenny Shipley, transport minister of New Zealand, which agreed to the text of an open-skies accord with the United States on May 29, said that the agreement "has the potential to increase tourism to this country from the U.S. as New Zealand airlines take up opportunities to fly to more cities in the U.S."

Cheong Choong Kong, deputy chairman of Singapore Airlines, said that although the signing by several Asia-Pacific countries of open skies accords with the United States had no immediate impact, it was a first step that could have great long-term significance.

"The point to note is that all these agreements have one common ingredient, which is the United States," he said. "Until the countries — let's say Taiwan, Korea, Malaysia and Singapore — have open skies agreements among themselves, the U.S. is really the only beneficiary because it would be able to fly freely among these countries."

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Bets Heavily on C... to Bolster Sales in As...

From Page 17

...to Compete Safely

'Open Skie...

2 Manufacturing Giants Reassess Business Ties

Continued from Page 17

the merger was the result of "a long-lasting strategy" to limit Airbus Industrie to that of a niche player with a long-term view to eliminate it.

"It is a project aimed at suppressing what has always been considered by some in the USA as an anomaly: real competition, a real alternative to an American monopoly in the aerospace industry."

Mr. Woodard said he was confident Boeing would win American and European approval for the merger, and warned that "major trade friction" over the issue would hurt workers on both sides.

MR. PIERSON said Boeing was attempting to "undo more than 25 years of joint European efforts against American hegemonic will, known as monopoly." To counter such criticism, Boeing has been stressing its international credentials. Mr. Woodard kept reiterating that Boeing had many customers and partners in Europe, including an exclusive deal with Snecma of France to supply engines to the 737 family, a deal that will be worth some $7 billion in sales by 2005. Mr. Woodard said orders for the new 737 series would provide 11,000 jobs in France.

"It is interesting to note that no one in Europe has ever objected to this exclusive contract," he said. He added that Rolls Royce PLC will make $9.2 billion in sales of engines for Boeing aircraft, accounting for two thirds of its sales.

"Aerospace truly is a global business that we all have a stake in," he said.

On a visit to Europe earlier this year, Boeing's chairman, Philip Condit, said the company aims to shed its American image and present itself as a local organization in the countries in which it does business. Mr. Condit said the merger with McDonnell Douglas would reduce Boeing's dependence on its home town of Seattle and set the stage for internal expansion through joint ventures.

At the same time, Airbus Industrie is becoming more American, reflecting its growing business in North America and the reality that, depending on engine choice, up to 40 percent of an Airbus airliner is made in the United States.

Mr. Condit said Boeing would seek to establish more binding arrangements with the airlines, creating industrial partnerships rather than traditional seller/customer relationships.

"We are exploring very seriously where the boundaries between the operators and the manufacturers are and looking for areas where we can provide more value," Mr. Woodard said on an earlier occasion. "There may be things we do that our customers should do, and there may be things our customers do that we should do."

Airbus officials said on the other hand that the consortium would never contemplate signing exclusive deals with its airline partners.

At the same time, Boeing says it will establish closer relationships with its suppliers, who account for about 50 percent of the value of every aircraft sold. Analysts said they will become more intimately involved in the operations of the airframe makers, with greater responsibility for producing complete subsystems.

The Boeing official responsible for procurement, Gerry Kearns, said last year that the company's aim is to develop long-term strategic relationships with its suppliers. "Eventually, members of our extended enterprise will be aligned with the Boeing business plan," he told Aviation Week and Space Technology magazine.

While the Boeing takeover of McDonnell Douglas will produce an essentially bipolar world in civilian aircraft manufacturing, this does not rule out a considerable amount of overlap between the two blocs. Boeing already buys sub-assemblies from some Airbus contractors, and one Airbus partner, British Aerospace PLC, is discussing cooperation in the military field with Boeing.

Mr. Condit said such developments were to be welcomed if it meant a more diversified and efficient supply chain.

At the same time, the airframe manufacturers will be seeking ways to make their operations more flexible and efficient. Mr. Condit said studies had shown that the optimal production unit was about 1,500 persons, implying that divisions within the main enterprises will be given a certain amount of autonomy. Boeing experimented with this concept in setting up a separate unit, under Mr. Condit, to develop and produce its 777 wide-bodied twin-jet.

Earlier this year, Boeing set up a unit called Boeing Enterprises to establish and direct new joint entities with the airlines. One of the first fruits of this policy was a joint venture with Flight-Safety International to train flight and cabin crews.

Boeing's star exhibit at the air show is the next generation version of the 737 family, aiming at the market segment that is expected to account for 60 percent of total sales of planes of more than 100-seat capacity, or more than 11,000 aircraft over the next 20 years.

With the new design, Boeing aims to straddle the range between 100 and 190 seats, with shorter production times and a large degree of commonality to reduce retraining of pilots and simplify maintenance. Boeing says it took a record 500 orders for the aircraft before the first one rolled out of the factory last December. "This airplane is our definition of value," Mr. Woodard said.

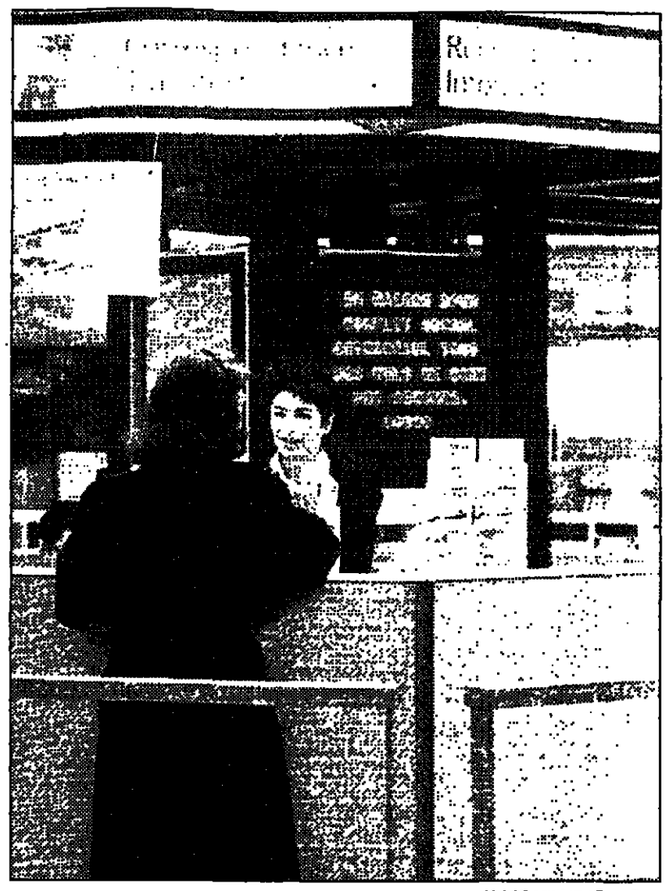
But the aircraft is hotly challenged by the Airbus A319, also making its first appearance at the air show.

ONE question of vital concern to whether Boeing will continue to produce the McDonnell Douglas MD-90 and DC10 models, which account for nearly a quarter of the current fleet in Europe. Finnair, a loyal McDonnell Douglas customer, last week announced that it was going over to Airbus. Mr. Woodard said Boeing did not know what it would do with the McDonnell Douglas range because it cannot have details of how the aircraft are produced and at what cost until the merger goes through.

The European Commission contends that the $13.9 billion merger between Boeing and McDonnell Douglas poses a serious threat to fair competition in the aerospace market.

According to the EU Statement of Objections, the merger will give Boeing dominance across the market for aircraft of more than 100-seat capacity. The takeover of the McDonnell Douglas M90 range is expected to increase Boeing's market share to 70 percent from the current 64 percent. Boeing will also increase its production capabilities by taking over a skilled work force, patents, licenses, know-how and access to capital, not to speak of research contracts given out by the Pentagon and NASA.

BARRY JAMES is on the staff of the International Herald Tribune.



Michel Gangne/Agence France-Presse

Passengers in economy class often find increasingly meager amenities.

Will Airlines Ever Win The Cost-Cutting War?

Continued from Page 17

turned to profit as the economy recovered, earning about $14 billion total in 1995 and 1996. Thousands of employees who had agreed to forgo pay raises or take cuts during the lean years, on the promise that they would be rewarded in better times, felt sure enough to demand the fruits of their sacrifice.

"The two biggest costs have been the problem areas," noted Kevin Murphy, an airline analyst for the investment bank Morgan Stanley & Co. "Fuel is something you can't do anything about, and labor is being very feisty now. They want more than inflation would dictate. With the two biggest cost components being troublesome in the last year, it only puts pressure on management to reduce costs in other areas."

One of those areas is the planes themselves.

"In 1992, we said we were going to build airplanes for the same price through 1998," said Dick Kenny, a spokesman for Boeing Co., which makes about 60 percent of all big commercial jets. "That was a direct response to customers saying we've got to reduce the price. There aren't that many gains to be got as there were, therefore greater manufacturing efficiencies have risen to the top of the agenda."

That meant Boeing had to make reductions of its own: "We had to put in a major program to cut costs and bring the price of an airplane, and of ownership of an airplane, down."

The need to reduce costs may have been particularly acute at the depth of the airline recession, but it has always been a fixture of the aerospace business.

"It is a trend that manufacturers have been addressing for as long as I can remember: to reduce the cost of ownership either through more efficient engines, more efficient systems, using a two-man crew instead of a three-man crew," Mr. Kenny said. "There have been fuel and productivity gains since the start of the jet age. That's why the price of an airplane ticket is such a bargain."

The passenger who suffered the string of mishaps did not find his flight to be such a bargain. Ticket prices are far lower in real terms than in the past, but cost-conscious airlines have made most fliers pay by offering increasingly meager amenities.

"They've significantly improved service in the front of the plane and made it significantly worse in back; almost all attention to service has been in first and business class," observed Ed Perkins, editor of Consumer Reports Travel Letter. "The economy-class airline seat has become a commodity. It's priced like a commodity and it's produced like a commodity. When United, American or British Airways say, 'We will not be undersold by ValuJet or Southwest or EasyJet,' they're saying, 'We're no better than they are.'"

That is not the sort of message they would like to convey. In any case, the cheap airlines will always be cheaper operators, so with business picking up, the larger carriers are having a rethink. Mr. Perkins cited a new ad campaign by United, in which it concedes that some passengers find its service disappointing.

"They usually show you how happy they are," he noted. "This represents a significant departure. It takes guts to do. If they come out with that and don't follow up, or just make cosmetic changes, it will have a bad effect. I see this United move as indicating that a few airlines may be taking a second look at the back of the plane and saying, 'We have a pretty bad product back there.'"

SOME airlines, notably Eva Air of Taiwan, have introduced a "premium economy" service, with wider seats and more room between them, for 30 percent to 40 percent more than deeply discounted coach fares, he noted.

If airlines start adding back frills, it could put pressure on costs. But the persistent presence of cheap operators should keep a lid on any increase in the U.S. market. In Asia, too, competition is becoming ever more fierce, as American carriers go up against national and regional operators.

The least promising outlook for cost control is in Europe, where "there are bureaucracies and the unions are more embedded," Mr. Murphy said. By some measures, European airlines can be twice as expensive to operate as U.S. airlines.

The bank's researchers expect unit costs worldwide to be relatively flat this year and next, helped by an expected 7 percent drop in fuel costs this year. But for lower operating costs to become a lasting feature, the analyst said, the key is the industry's relations with its employees.

"The best of all worlds would be to get labor on board and augment what productivity gains technology gives you," he argued. "That would come back to labor in terms of more growth and job opportunities."

CONRAD DE AENLLE writes about business and investment from London.



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Tale of a Triathlete: Pedaling Hard at 82

By Ian Thomsen
International Herald Tribune

WINDSOR, England — The 82-year-old triathlete looked out through the window and said, "I had better tend to my bike."

He tried to stand up. He pushed himself up again and was almost vertical before crashing down with a bounce onto the hotel sofa. This was Saturday, the day *before* the race. Finally, he made it onto his feet.

The next morning, he was out on the course, doing what most of us would never want to try. Patrick Barnes, born March 26, 1915 — "at the time of Gallipoli," he said, because he is an Englishman — came out of the Thames early Sunday in a black sealish wet suit that swelled around his middle. The clock was running faster than he was. But then, what was his hurry?

"My only goal is to finish," he said.

The wet suit came off him like a stubborn banana peel. He pulled a T-shirt over his whitened head, and then a helmet with quite a few nicks, and he escorted his waiting bicycle across a small fenced-in park while people clapped, smiling at the sight of him.

He did a 750-meter swim, a 25-kilometer bike ride and a 5-kilometer run — a "sprint" or miniature triathlon — in three hours, 26 minutes and 31 seconds. Last year in the warm months he managed to do 13 triathlons, sometimes one weekend after the other.

"Well," he said, "I've got so much to do, so many things to do, that very often I sit back in my chair, read The Times and don't do any of them."

He lost his driver's license after a car accident four years ago, and now he cycles everywhere, carrying his bike up and down the staircases of the London Tube, refusing to hurry. In April he ran the London marathon in nine hours.

"I was walking most of it," he said. "By the end, you couldn't see there had been a marathon; it was all packed up and gone home."

His first triathlon — undertaken on the advice of a doctor who wanted him to vary his exercise — was performed on a bicycle with a shopping basket.

"That bike was 59 years old," he said.

The exercise for those of us who don't exercise was to decide Sunday morning how much Mr. Barnes had in common with Spencer Smith, the 24-year-old winner of the Pepsi Max Royal Windsor Triathlon.

For one thing, they both come from the west side of London, not far from the queen's residence at Windsor; and they both were cheered on and supported by the same audience — mainly the relatives and friends of the 850 athletes who jumped in the river and shooed the swans away for a few morning hours.

It is one of the bigger and better annual triathlons in Britain, and in three years its champion, Smith, may well become an Olympic gold medalist when the event makes its debut at Sydney. But the sport has not yet achieved arrogance. Afterwards, just past the finish line, anyone who wanted to could walk up to Smith, who has won three world championships, and shake his hand.

Some of the tourists didn't know what to make of any of it.

A woman standing in front of the McDonald's at the foot of the castle was lecturing a group of foreigners emotionally, leaning and waving: "This is one reason we have all of this history, it's because we've never had a revolution like in France, like in Russia, it's because we are a democracy, we love our freedom. OK? Let's go on to the castle!"

Her group then was nearly trampled by a half-dozen men charging up the hill in bathing tights.

Smith estimates that the top triathletes make upward of $400,000 a year from prize money and sponsorships. He is paid to wear his swimsuit, running shoes and bicycle, as well as to endorse a health drink.

Eight years ago, he was a swimmer, and he was bored with it. Since taking up triathlon he has moved to Carlsbad, California, where he lives in a condominium overlooking the third tee at La Costa golf course.

He also has a small place in Spain, and he seems to have a perpetual tan and a body tapered for his sport as if drawn up by a computer program.

Last week he had an accident and tumbled off his bike, and after the 1,500-meter swim and the 40-kilometer bike ride, feeling stiff, he was in fifth place. But he made up the time quickly in the 10-kilometer run — looping beneath the world's largest inhabited castle and across the bridge to Eton College, where the future king has been learning his own ropes — to win easily in one hour, 52 minutes and 52 seconds.



Lynne Sladky/The Associated Press

Mark Philippoussis returning a shot to Goran Ivanisevic, whom he beat on Sunday in the Queen's Club final.

Wimbledon Warm-Up for Philippoussis

Compiled by Our Staff From Dispatches

The leading men's tennis players completed their first week of Wimbledon acclimatization on Sunday with grass-court finals at the Queen's Club in London, where Mark Philippoussis won the battle of the big servers, and in Halle, Germany, where Yevgeni Kafelnikov won his first title of the year.

In London, Philippoussis beat Goran Ivanisevic, 7-5, 6-3. In a battle of two of the game's biggest servers, Philippoussis, an Australian, struck 15 aces and showed that he could be a true threat when Wimbledon begins on June 23.

Ivanisevic, who has twice been the runner-up at Wimbledon, served 12 aces in a match that offered little more than power-serving and took only 53 minute to complete.

It was the third tournament that Philippoussis, 20, has won this season.

"I definitely think I'm improving all the time as I mature," Philippoussis said.

There were only two break points in the match — in the 12th game of the first set and the eighth of the second — and Philippoussis, ranked No. 19 in the world, converted both.

Philippoussis won the first set by breaking the Croatian's serve in the 12th game. Ivanisevic missed all but one of his first serves in the set.

In the second set, Philippoussis broke to lead 5-3 as he went on to win, 6-3.

The longest rally came at 3-3 in the second set.

After Philippoussis had served two powerful aces, Ivanisevic offered his racket to a ball girl. She took it and faced Philippoussis, who served a soft lob and played a gentle rally of 17 shots before gallantly losing the point.

• In Halle, Germany, Kafelnikov fought off three match points to win a see-saw battle against Petr Korda of the Czech Republic.

Kafelnikov, the top-seeded Russian, needed two hours and 20 minutes to beat the Czech, 7-6 (7-2), 6-7 (5-7), 7-6 (9-7).

Kafelnikov ran his record to 10-2 in tie-break sets this year in a match in which both players made some dazzling shots in crucial moments.

The Russian, whose return of serve is one of his strengths, saved the last match point at 6-7 in the tie-breaker when he slammed a sharp cross-court backhand that a lunging Korda could not touch. Kafelnikov served only seven aces while Korda served 28.

Kafelnikov, ranked sixth in the world, has been fighting his way back to form after a broken finger sidelined him for three months earlier in the year.

Korda, coming back from a serious groin injury, led 6-5 in the final set after breaking the Russian's serve for the first time in the match.

But Korda, whose layoff had dropped him to the ranking of 27th in the world, lost the following game with three double faults.

The Czech player also pulled off the match's most improbable shot at 5-5 that helped him capture the second set tie-breaker.

Korda chased a Kafelnikov serve that curved far outside the court, then fired it around the net post into the corner for the winner.

Kafelnikov attacked the net even on his second serve throughout the tournament.

En route to the final, the Russian also beat two former Wimbledon champions, Boris Becker and Michael Stich of Germany.

"The way Kafelnikov is playing surprises me," said Becker. "But if he's going to win Wimbledon, that's how he's going to have to do it." *(AP, Reuters)*

■ Kuerten Falters in Bologna

Gustavo Kuerten crumbled in the finals of the Carisbo International clay-court tournament just a week after he had captured the French Open, losing on Sunday to 16th-ranked Felix Mantilla, The Associated Press reported from Bologna.

After winning the first set 6-4, the Brazilian quickly went down, 2-6, 1-6, to Mantilla, a Spaniard who was the second seed.

Kuerten was 15th in the ATP ratings and seeded eighth in the tournament.

"I played very well, but I was favored by Kuerten's fatigue, even though he was in a good mental state because he won Paris," Mantilla said.

Lions Track Down Scrum-Half

Reuters

DURBAN, South Africa — Kyran Bracken, the scrum-half for England's rugby team, was summoned Sunday from his Caribbean vacation to join the British Lions in South Africa as the replacement for the injured Rob Howley of Wales.

Howley dislocated his left shoulder during the Lions' emphatic 42-12 victory over Natal at Kings Park and will miss the rest of the South African tour.

Howley, one of the stars of the Lions' squad, had been a certain selection for the first test next week against South Africa in Cape Town.

Bracken was on the first day of a vacation in Tobago. The Lions' selectors telephoned Mike Scott, administration manager of Bracken's club, Saracens, in London. Bracken had left no contact number, so Scott telephoned 13 hotels on Tobago before he found Bracken, who becomes the third player from Saracens to come in as a 1997 Lions replacement.

The Saracens prop Paul Wallace replaced Ireland's Peter Clohessy and Tony Diprose arrived in South Africa for the Welshman Scott Quinnell last week.

Howley was set to fly back to Britain on Sunday night, said a Lions spokesman, Bob Burrows. He is expected to be out of the game for four months.

"Obviously it's very disappointing for Rob and also for the entire team," said Fran Cotton, the Lions' manager. "He's a world-class player."

Real Madrid Routs Atletico To Capture Spanish Title

Reuters

Real Madrid secured its 27th Spanish league title with an impressive 3-1 victory over the reigning champion, Atletico Madrid.

Real, which needed only a draw, tore its neighbor apart with first-half goals

World Soccer

from Raul Gonzalez and Fernando Hierro. Predrag Mijatovic added the third shortly after the break.

Atletico's coach, Radomir Antic, made a triple substitution after Mijatovic's goal and was quickly rewarded with a goal from the former Real striker Juan Eduardo Esnaider.

After the game, Lorenzo Sanz, the Real president, said that the club is near to an agreement with Jupp Heynckes, a German who coaches Tenerife, to take over the team next season.

ITALY Pasquale Luiso scored twice on Sunday as Piacenza beat Cagliari 3-1 in a relegation play-off in Naples to keep its place in Serie. Cagliari will be demoted and play in the second division for the first time since 1990.

In the last round of Serie B matches Empoli beat Cremonese 1-0 to finish top of the division, it will move up to Serie A as will Brescia, which beat Venezia 3-1, Lecce, 3-0 winner at Cesena, and Bari which beat Castel di Sangro.

GERMANY Giovane Elber scored twice to lead VfB Stuttgart to a 2-0 victory over Cottbus Energie of the second division in the German Cup final Saturday.

Stuttgart, fourth in the Bundesliga, will play in the European Cup Winners' Cup next season, handing their UEFA Cup place to 1860 Munich.

COPA AMERICA Argentina scored twice in the last five minutes to beat Chile, 2-0, in Cochabamba. Bolivia, in yet another uninspiring Group A game in the Copa America on Saturday.

The 8,000 fans scattered around nearly empty stands had to endure a night of cold and dismal soccer in a group that has yet to provide an entertaining match.

Argentina did not score until the 85th minute, when Sergio Bertiscored with a powerful low drive. Two minutes later, Marcelo Gallardo secured Argentina's victory with a second goal.

Ecuador also scored two late goals as it beat Paraguay, 2-0, in another Group A game in Cochabamba on Saturday. Wellington Sanchez opened the scoring in the 71st minute and Ariel Graziani scored a second with just three minutes left.

WORLD CUP Poland breezed past Georgia, 4-1, in a European zone Group 2 qualifier on Saturday.

Poland fielded a reshaped squad in its first game under coach Krzysztof Pawlak who took over from Antoni Piechniczek after Poland's 2-0 loss to England ended its chances of reaching the finals.

SCOREBOARD

BASEBALL

Major League Standings

AMERICAN LEAGUE

EAST DIVISION	W	L	Pct.	GB
Baltimore	44	19	.698	—
New York	36	28	.563	8½
Toronto	30	32	.484	13½
Detroit	29	34	.460	15
Boston	27	38	.415	18
CENTRAL DIVISION				
Cleveland	33	29	.532	—
Kansas City	30	33	.476	3½
Milwaukee	30	33	.476	3½
Minnesota	30	35	.462	4½
Chicago	29	35	.453	5
WEST DIVISION				
Seattle	37	29	.561	—
Texas	34	30	.531	2
Anaheim	34	31	.523	2½
Oakland	27	41	.397	11

NATIONAL LEAGUE

EAST DIVISION	W	L	Pct.	GB
Atlanta	42	24	.636	—
Florida	38	26	.594	3
Montreal	37	28	.569	4½
New York	36	29	.554	5½
Philadelphia	22	42	.344	19
CENTRAL DIVISION				
Pittsburgh	32	33	.492	—
Houston	32	35	.478	1
St Louis	31	34	.477	1
Cincinnati	27	38	.415	5
Chicago	26	40	.394	6½
WEST DIVISION				
San Francisco	36	29	.554	—
Colorado	36	31	.537	1
Los Angeles	32	34	.485	4½
San Diego	29	36	.446	7

FRIDAY'S LINESCORES

Milwaukee 020 100 100—4 9 1
Chicago (NL) 000 020 000—2 5 0
D'Amico, Do.Jones (9) and Matheny; Mulholland, Rojas (7), Patterson (8), Bottenfield (9) and Servais. W—D'Amico, 3-3. L—Mulholland, 5-6. Sv—Do.Jones (15). HR—Milwaukee, Js.Valentin (6).

Kansas City 200 100 000—3 9 1
Pittsburgh 002 011 10x—5 8 0
Pittsley, Mk.Williams (6), R.Veres (7) and Macfarlane; F.Cordova, Ruebel (7), M.Wilkins (8), Loiselle (9) and Kendall. W—F. Cordova, 5-4. L—Mk.Williams, 0-2. Sv—Loiselle (6). HRs—Kansas City, King (9). Pittsburgh, Womack (3), Randa (5).

Chicago (AL) 100 002 000—3 3 0
Cincinnati 000 000 010—1 7 0
Alvarez, R. Hernandez (8) and Fabregas; Schourek, Sullivan (7), Belinda (9) and J. Oliver, Taubensee (9). W—Alvarez, 4-6. L—Schourek, 5-5. Sv—R. Hernandez (13). HRs—Chicago, Durham (4), Belle (15).

Baltimore 000 004 000—4 8 0
Atlanta 000 000 120—3 7 0
Key, A. Benitez (7), Orosco (8), Ra.Myers (9) and Hoiles and Webster (9); G.Maddux, Embree (8), Clontz (9) and Edd.Perez. W—Key, 11-1. L—G. Maddux, 7-3. Sv—Ra.Myers (21). HRs—Atlanta, Ch.Jones (8), Edd.Perez (2).

Boston 000 032 012—8 11 0
New York (NL) 100 100 101—4 12 0
Suppan, Wasdin (6), Hammond (8), Slocumb (9), Hudson (9), Lacy (9) and Hatteberg, Haselman (7); P.Reed, Manuel (7), R.Jordan (8), Lidle (9) and Hundley. W—Suppan, 1-0. L—R. Reed, 4-4. Sv—Lacy (2). HRs—Boston, M. Vaughn (20), Jh.Valentin (5), O'Leary (6). New York, Everett 2 (7), Hundley (15), Ochoa (1).

Toronto 000 110 001—3 10 1
Philadelphia 000 001 21x—4 7 0
W.Williams, Spoljaric (6), Quantrill (7), Plesac (7) and B.Santiago; Schilling, Gomes (7), Spradlin (8), Plantenberg (8), Bottalico (8) and Lieberthal. W—Gomes, 1-0. L—Spoljaric, 0-3. Sv—Bottalico (14). HR—T. RPerez (1).

Minnesota 020 200 220—8 10 0
Houston 001 000 000—1 6 2
Radke, Trombley (9) and Steinbach; Wall, Lima (6), Minor (8) and Ausmus. W—Radke, 6-5. L—Wall, 2-3. HRs—Minnesota, Molitor (3). Houston, Bagwell (20).

Detroit 000 010 101—3 8 0
Montreal 103 000 00x—4 10 0
Olivares, M. Myers (7) and B.Johnson; C.Perez, Telford (8), Urbina (8) and Fletcher. W—C. Perez, 7-4. L—Olivares, 4-5. Sv—Urbina (11). HR—Montreal, H.Rodriguez (12).

N. York (AL) 000 001 000 000—1 5 0
Florida 000 000 001 001—2 6 0
Cone, Nelson (10), Mecir (12) and Girardi; A.Leiter, Powell (8), Nen (9), Stanifer (10), F.Heredia (10), Hutton (12), Cook (12) and C.Johnson. W—Cook, 1-0. L—Mecir, 0-4.

San Francisco 010 021 100—5 14 1
Texas 200 020 011—6 10 1
Estes, Tavarez (7), Poole (8), D. Henry (8), Beck (8), P.Rodriguez (9) and R.Wilkins; K.Hill, Gunderson (7), Wetteland (9) and I. Rodriguez. W—Wetteland, 4-0. L—R. Rodriguez, 2-3. HRs—San Francisco, Bonds (12), Snow (3). Texas, Greer 2 (9), Ju Gonzalez (13).

Colorado 001 000 000—1 4 0
Seattle 100 011 30x—6 7 1
Wright, Burke (7), McCurry (7) and Manwaring; Ra.Johnson, S.Sanders (9) and Da.Wilson. W—Ra.Johnson, 10-1. L—Wright, 4-4. HRs—Colorado, Ec.Young (3). Seattle, E.Martinez (8), RDavis (8).

Los Angeles 200 000 022—6 11 0
Oakland 000 040 000—4 8 1
Astacio, Hall (8), To.Worrell (9) and Prince; Karsay, A.Small (8), D. Johnson (9), Mohler (9) and Go Williams. W—Hall, 1-2. L—A. Small, 5-3. Sv—To.Worrell (15). HR—Los Angeles, Karros (10).

S.Diego 100 102 030 000 01—8 16 2
Anah. 320 200 000 000 00—7 11 1
(14 innings)
Cunnane, P. Smith (4), Hoffman (9), Bochtler (12), TI.Worrell (14) and Flaherty; C.Hernandez (8), D.Springer, Holtz (7), James (8), P. Harris (8), Percival (10), DeLucia (11), Hasegawa (14) and Kreuter, Leyritz (11) W—Bochtler, 1-2. L—Hasegawa, 1-4. Sv—TI.Worrell (2). HRs—San Diego, Joyner (6), G.Vaughn (8).

SATURDAY'S LINESCORES

Boston 000 001 010—2 3 0
New York (NL) 010 030 01x—5 11 1
Wakefield, Wasdin (5), Brandenburg (6), Hudson (8), Slocumb (8) and Haselman; M.Clark, McMichael (8), Jo.Franco (9) and Hundley. W—M. Clark, 6-4. L—Wakefield, 2-6. Sv—Jo.Franco (17). HR—New York, M.Clark (1).

Cleveland 000 000 350—8 14 0
St. Louis 010 200 000—3 7 2
1st game
Colon, Assenmacher (5), A Lopez (6), Morman (8), Shuey (9) and S.Alomar; An.Benes, T.J.Mathews (8), Fossas (8), Frascatore (8), Beltran (9) and Difelice. W—A. Lopez, 3-4. L—T.J.Mathews, 2-3. HR—St. Louis, Mabry (4).

Cleveland 000 100 001—2 5 0
St. Louis 010 011 20x—5 11 0
2nd game
Ogea, Assenmacher (6), A.Lopez (6), Morman (7), Mesa (8) and Borders; Morris, Eckersley (9) and Lampkin. W—Morris, 5-3. L—Ogea, 5-6. Sv—Eckersley (13). HRs—Cleveland, Thome (18). St. Louis, Mabry (5).

Minnesota 200 000 040—6 12 1
Houston 100 000 000—1 9 0
Robertson, Fr.Rodriguez (7), Trombley (8) and G. Myers; Kile, R.Springer (8), Minor (8) and Eusebio. W—Robertson, 7-3 L—Kile, 7-3. HRs—Minnesota, Lawton (4). Houston, Biggio (12).

Baltimore 000 001 210 002—6 10 0
Atlanta 110 001 010 000—4 8 1
(12 innings): Mussina, Te.Mathews (7), Orosco (8), A. Benitez (8), Rhodes (9), Ra.Myers (12) and Hoiles, Webster (12)

Kansas City 001 004 012—8 11 0
Pittsburgh 000 300 000—3 8 1
Belcher, Mk.Williams (8), Casian (8), J. Montgomery (8) and Fasano; Lieber, Peters (6), Sodowsky (8), Rincon (9) and Kendall. W—Belcher, 8-6. L—Lieber, 3-8. Sv—J. Montgomery (1). HRs—Kansas City, King 2 (11), Fasano (1).

Toronto 100 000 200—3 7 0
Philadelphia 000 001 100—2 8 0
Person, Spoljaric (7), Quantrill (8) and B. Santiago; Nye, Gomes (8), Spradlin (9) and Lieberthal, Parent (*). W—Person, 2-4. L—Nye, 0-2. Sv—Quantrill (4). HRs—Toronto, Carter (8). Philadelphia, Daulton (7).

Detroit 000 000 000—0 3 1
Montreal 000 100 00x—1 6 3
Ju.Thompson, Brocail (8) and Casanova; P.J.Martinez and Fletcher. W—P.J.Martinez, 9-2. L—Ju.Thompson, 6-5.

Chicago (AL) 000 000 001—1 7 1
Cincinnati 001 110 20x—5 9 0
D.Darwin, McElroy (7), Simas (7), T. Castillo (8) and Fabregas; Mercker, Shaw (9) and J.Oliver. W—Mercker, 4-5. L—D. Darwin, 2-4. HR—Cincinnati, W.Greene (8).

Milwaukee 100 110 200—5 10 1
Chicago (NL) 021 030 30x—9 14 2
Karl, Florie (5), Fetters (7), Villone (8) and Levis, Stinnett (8); Trachsel, Bottenfield (7), Patterson (7), Wendell (7) and Servais. W—Trachsel, 4-5. L—Karl, 2-8. Sv—Wendell (2). HRs—Milwaukee, Burnitz (7). Chicago, Orie (2).

Colorado 013 000 102—7 9 2
Oakland 000 000 010—1 8 1
R.Bailey and Manwaring; Wengert, C. Reyes (7) and Go.Williams. W—R. Bailey, 7-5. L—Wengert, 3-4. HRs—Colorado, L. Walker (19), Galarraga (18), Burks (15).

Los Angeles 000 220 310—8 11 0
Seattle 023 012 001—9 11 1
R.Martinez, Candiotti (5), Radinsky (7), Osuna (9) and Piazza; Wolcott, B. Wells (6), Charlton (7), Ayala (8) and Da.Wilson. W—Ayala, 4-2. L—Osuna, 1-3. HRs—Los Angeles, Piazza (12), Karros 2 (12). Seattle, Griffey Jr (27), E. Martinez (9), Sorrento (9), R.Davis (9).

San Diego 001 140 000—6 9 0
Texas 501 100 10x—8 8 1
Dn.Jackson, Erdos (6), Batchelor (8) and Flaherty; Santana, Whiteside (5), Vosberg (6), Patterson (7), Wetteland (9) and I.Rodriguez. W—Whiteside, 1-0. L—Dn.Jackson, 1-3. Sv—Wetteland (14). HRs—Texas, Simms (4), Palmer (6).

San Francisco 051 103 000—10 10 1
Anaheim 010 001 100—3 14 2
Roa, R. Rodriguez (6), Tavarez (8), Poole (9) and Berryhill; Watson, Hasegawa (4), Perisho (8) and Leyritz. W—Roa, 2-4. L—Watson, 5-4. HRs—San Francisco, D.Hamilton (1), Aurilia (2), Kent 2 (14). Anaheim, Edmonds (12).

Japanese Leagues

CENTRAL LEAGUE

	W	L	T	Pct	GB
Yakult	37	20	0	.649	—
Hiroshima	28	27	0	.509	8
Hanshin	29	28	0	.509	8
Chunichi	27	29	0	.482	9½
Yokohama	23	29	0	.442	11½
Yomiuri	23	34	0	.404	14

SATURDAY'S RESULTS
Hanshin 9, Chunichi 3
Yakult 11, Yokohama 2
Hiroshima 4, Yomiuri 3

SUNDAY'S RESULTS
Yokohama 8, Yakult 3
Yomiuri 6, Hiroshima 5
Hanshin 5, Chunichi 4

PACIFIC LEAGUE

	W	L	T	Pct	GB
Orix	30	20	0	.600	—
Seibu	32	23	0	.582	½
Daiei	28	29	0	.491	5½
Nippon Ham	27	30	0	.474	6½
Lotte	23	29	1	.443	8
Kintetsu	23	32	1	.420	9½

SATURDAY'S RESULTS
Orix 7, Lotte 1
Seibu 11, Nippon Ham 8
Kintetsu 13, Daiei 11

SUNDAY'S RESULTS
Lotte 6, Orix 2
Nippon Ham 3, Seibu 2
Daiei 11, Kintetsu 6

GOLF

US Open

Graded scores Sunday after third round of the 97th U.S. Open on the 7,213-yard, par-70 Congressional Country Club course in Bethesda, Md:

Tom Lehman	67-70-68—205
Jeff Maggert	73-66-68—207
Ernie Els	71-67-69—207
Colin Montgomerie	65-76-67—208
Jay Haas	73-69-68—210
Tommy Tolles	74-67-69—210
David Ogrin	70-69-71—210
Billy Andrade	75-67-69—211
Jim Furyk	74-68-69—211
Olin Browne	71-71-69—211
Scott Hoch	71-68-72—211
Bob Tway	71-71-70—212
Hal Sutton	66-73-73—212
Stewart Cink	71-67-74—212
Paul Stankowski	75-70-68—213
Scott McCarron	73-71-69—213
Craig Parry	70-74-69—213
Jeff Sluman	69-72-72—213
Loren Roberts	72-69-72—213
Kelly Gibson	72-69-72—213
Davis Love III	75-70-69—214
Fuzzy Zoeller	72-73-69—214
John Cook	72-71-71—214
Chris Perry	70-73-71—214
Jose Maria Olazabal	71-71-72—214
Hideki Kase	68-73-73—214
Tiger Woods	74-67-73—214
Nick Faldo	72-74-69—215
Frank Nobilo	71-74-70—215
Fred Funk	73-70-72—215
Steve Elkington	75-68-72—215
David White	70-72-73—215
Lee Westwood	71-71-73—215
Mark McNulty	67-73-75—215
Nick Price	71-74-71—216
Bradley Hughes	75-70-71—216
Steve Jones	72-75-69—216
Stuart Appleby	71-75-70—216
Phil Mickelson	75-68-73—216
Clarence Rose	72-71-73—216
Scott Dunlap	75-66-75—216
Mark O'Meara	73-73-71—217
Rodney Butcher	73-74-70—217
David Duval	74-73-70—217
Payne Stewart	71-73-73—217
Steve Stricker	66-76-75—217
Tom Watson	72-74-72—218
Grant Waite	72-74-72—218
Paul Broadhurst	77-69-72—218
Edward Fryatt	72-73-73—218
Peter Teravainen	71-73-74—218
Paul Azinger	72-72-74—218
Len Mattiace	71-75-73—219
Duffy Waldorf	73-73-73—219
Fred Couples	75-72-72—219
Paul Goydos	73-72-74—219
Jack Nicklaus	73-71-75—219
Hale Irwin	70-73-76—219
Justin Leonard	69-72-78—219
Darren Clarke	73-74-73—220
Jesper Parnevik	72-75-73—220
Chris Smith	77-69-74—220
Lee Janzen	72-73-75—220
Larry Mize	70-74-76—220
John Morse	71-74-76—221
Andrew Coltart	74-71-76—221
Thomas Bjorn	71-75-73—221
Stephen Ames	73-73-75—221
Donnie Hammond	75-71-76—222
Brad Faxon	72-74-76—222
Greg Kraft	77-69-76—222
Slade Adams	71-74-78—223
Ben Crenshaw	73-74-76—223
Mike Hulbert	73-73-77—223
Perry Parker	75-71-77—223
Dave Schreyer	68-73-82—223
Vijah Singh	71-76-77—224
Randy Wylie	71-76-77—224
Dick Mast	73-69-83—225
Jimmy Green	75-72-79—226
Marco Dawson	75-71-80—226
Tom Kite	75-69-82—226
Greg Towne	71-73-83—227
Jack Ferenz	72-75-80—227

Sapporo Tokyu Open

Leading final scores Sunday in the 100 million yen ($877,000) Sapporo Tokyu Open golf tournament on the 6,949-yard (6,324-meter), par-72 Sapporo Kokusai Country Club course at Sapporo, Japan:

Hirofumi Miyase, Jap.	67-70-66-72—275
Hajime Meshiai, Jap.	71-70-69-70—280
Y. Sakamoto, Jap.	72-73-69-67—281
T. Nakajima, Jap.	72-71-71-69—283
Carlos Franco, Para.	78-64-70-71—283
T. Fukuzawa, Jap.	72-73-66-72—283
Frankie Minoza, Phil.	72-68-67-76—283
N. "Joe" Ozaki, Jap.	70-72-73-69—284
Satoshi Higashi, Jap.	71-69-70-74—284
K. Miyamoto, Jap.	72-67-69-76—284

RUGBY UNION

FIJI TOUR
1ST ONE-OFF TEST MATCH
SATURDAY, IN AUCKLAND
New Zealand 71, Fiji 5

BRITISH LIONS TOUR
SATURDAY, IN DURBAN, SOUTH AFRICA
Natal Sharks 12, British Lions 42

CRICKET

SRI LANKA TOUR
1ST TEST, 3d DAY
WEST INDIES VS SRI LANKA
SATURDAY, IN ST JOHN'S, ANTIGUA
Sri Lanka 223 and 152
West Indies: 189 and 189-4.
West Indies won by 6 wickets and lead 1-0 2-match series.

AUSTRALIA TOUR
3-DAY MATCH, 2d DAY
LEICESTERSHIRE VS AUSTRALIA
SUNDAY, IN LEICESTER, ENGLAND
Australia: 220-8 dec
Leicestershire: 62-4
Rain stopped play.

SOCCER

WORLD CUP QUALIFIERS
OCEANIA
GROUP 1
Solomon Islands 4, Tahiti 1
Australia 5, Tahiti 0
STANDINGS: Australia 6 points; Solomon Islands 3; Tahiti 0.
GROUP 2
Fiji 3, Papua New Guinea 1
STANDINGS: New Zealand 6 points; Fiji 3; Papua New Guinea 3.
ASIA ZONE
GROUP 2
Kyrgyzstan 6, Maldives 0
Iran 2, Syria 2
GROUP 5
Yemen 1, Indonesia 1
EUROPEAN ZONE
GROUP 2
Poland 4, Georgia 1
STANDINGS: Italy 16 points; England 15; Poland 7; Georgia 3; Moldova 0.

COPA AMERICA
GROUP A
Ecuador 2, Paraguay 0
Argentina 2, Chile 0
STANDINGS: Argentina 4 points; Ecuador 4; Paraguay 3; Chile 0.
GROUP C
Brazil 5, Costa Rica 0
Mexico 2, Colombia 1
STANDINGS: Brazil 3 points; Mexico 3; Colombia 0; Costa Rica 0.

GERMANY CUP
VfB Stuttgart 2, Cottbus Energie 0

CZECH-MORAVIAN CUP
Slavia Prague 1, Dukla Prague 0

SPANISH FIRST DIVISION
Real Madrid 3 Atletico Madrid 1

ITALIAN FIRST DIVISION
LEAGUE RELEGATION PLAY-OFF
Piacenza 3, Cagliari 1
Piacenza stays in first division.

DANISH SUPER LEAGUE
Aalborg 0, FC Copenhagen 1
Aarhus 2, AB 1
Herfoelge 1, Brondby 2
Hvidovre 4, Odense 3
Lyngby 1, Vejle 1
Viborg 0, Silkeborg 2
FINAL STANDINGS: Brondby 68 points; Vejle 54; Aarhus 52; Herfoelge 52; Aalborg 47; Silkeborg 45, Odense 41; FC Copenhagen 41; Lyngby 40; AB 34; Viborg 29; Hvidovre 26.

ROMANIAN FIRST DIVISION
Universitatea Craiova 2, Farul Constanta 3
Chindia Tirgoviste 1, Steaua Bucharest 4
Dinamo Bucharest 2, F.C. Brasov 1
Universitatea Cluj 0, FCM Bacau 2
National Buchar. 3, Ceahlaul Piatra Neamt 0
Sportul Studentesc 0, Otelul Galati 2
F.C. Arges Dacia Pitesti 2, Gloria Bistrita 0
Jiul Petrosani 0, F.C. Petrolul Ploiesti 1
Politehnica Timisoara 1, Rapid Bucharest 2
FINAL STANDINGS: Steaua Bucharest 73 points; F.C. National Bucharest 68; Dinamo Bucharest 59; Otelul Galati 58; FCM Bacau 53; Ceahlaul Piatra Neamt 52; F.C. Arges Dacia Pitesti 50; Rapid Bucharest 48; F.C. Petrolul Ploiesti 46; F.C. Farul Constanta 46; Universitatea Craiova 43; Sportul Studentesc 42; Gloria Bistrita 41; Jiul Petrosani 41; Universitatea Cluj 39; F.C. Chindia Tirgoviste 38; Politehnica Timisoara 35; F.C. Brasov 32.

KIRIN CUP
Japan 1, Turkey 0
FINAL STANDINGS: Japan 6 points; Croatia 1; Turkey 1.

COSAFA CUP
Mozambique 3, Tanzania 0
STANDINGS: Mozambique 4 points; Zambia 3; Namibia 1; Malawi 1; Tanzania 1.

MAJOR LEAGUE SOCCER
Colorado 3, New York-New Jersey 2
Washington D.C. 1, New England 0
STANDINGS: Eastern Conference: D.C. 26; New England 21; Colombus 14; Tampa Bay 16; NY-NJ 13; Western Conference: Kansas City 20; Colorado 16; Dallas 15, San Jose 8; Los Angeles 7.

TENNIS

GERRY WEBER OPEN
IN HALLE, GERMANY
SEMIFINALS
Yevgeny Kafelnikov (1), Russia, def. Boris Becker (4), Germnay, 6-3, 6-4.
Petr Korda (8), Czech Republic, def. Paul Haarhuis, Netherlands, 7-6 (7-5), 6-4.
FINAL
Kafelnikov def. Korda 7-6 (7-2), 6-7 (5-7), 7-6 (9-7).

QUEEN'S GRASS-COURT TOURNAMENT
IN LONDON, ENGLAND
SEMIFINALS
Mark Philippoussis (6), Australia, def. Jonas Bjorkman (8), Sweden, 2-6, 7-6 (7-5), 6-2.
Goran Ivanisevic (3), Croatia, def. Greg Rusedski (16), Britain, 4-6, 6-4, 7-6 (20-18).
FINAL
Philippoussis def. Ivanisevic 7-5, 6-3.

CARISBO INTERNATIONAL
IN BOLOGNA, ITALY
SEMIFINALS
Gustavo Kuerten (8), Brazil, def. Marzio Martelli, Italy, 6-1, 6-2.
Felix Mantilla (2), Spain, def. Karim Alami (6), Morocco, 6-3, 6-2.
FINAL
Mantilla def. Kuerten 4-6, 6-2, 6-1.

TRANSITIONS

BASEBALL
AMERICAN LEAGUE
MINNESOTA—Signed RHP Matt Cowes, OF DeShawn Southward and LHP Aaron Miller.
TORONTO—Agreed to terms with SS Michael Young and LHP Ronald Bost.
TORONTO—Agreed to terms with RHP Eric Lorenz and LHP Tim Huff.
NATIONAL LEAGUE
CINCINNATI—Signed RHP Scott Williamson and RHP Wesley Stumbo.
HOUSTON—Put RHP Shane Reynolds on 15-day disabled list retroactive to June 10. Signed LHP Don Thomas and RHP James Wallace and assigned them to Auburn, New York-Penn L.
LOS ANGELES—Sent OF Todd Hollandsworth to Albuquerque, the PCL. Recalled OF Karim Garcia from Albuquerque.

BASKETBALL
NATIONAL BASKETBALL ASSOCIATION
NBA—Fined Chicago Bulls F Dennis Rodman $50,000 for statements on two recent occasions concerning Mormon population in Salt Lake City.

HOCKEY
NATIONAL HOCKEY LEAGUE
CALGARY FLAMES—Signed a letter of intent to buy the Calgary Hitmen of the Western Hockey League.
CAROLINA—Extended contracts of Paul Maurice, coach and Tom Webster, Randy Ladouceur and Steve Weeks, assistant coaches.
FLORIDA—Bought D Mike Lankshear from Toronto Maple Leafs for D Per Gustafsson.
PHILADELPHIA—Fired Terry Murray coach. Signed C Jim Montgomery to 3-year contract.
PITTSBURGH—Named Kevin Constantine coach.

COLLEGE
FLORIDA STATE—Named Sue Semrau womens basketball coach.
WARTBURG—Named Dick Peth mens basketball coach.

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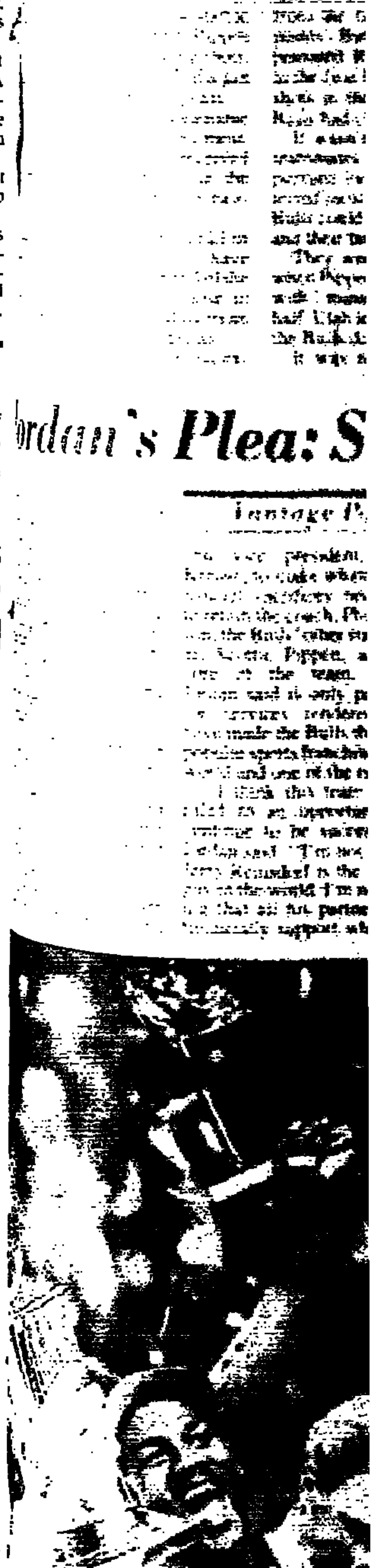
Memorable Moments from Johnnie Walker: RYDER CUP *with Bernard Gallacher*



1967 - HOGAN RISES TO THE OCCASION.

Written with R. Simmons. Designed & Illustrated by Dave F Smith © International Herald Tribune / Professional Sports Partnerships Ltd.

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Orioles Master Braves In Best of the Best Series

Baltimore Tops NL Champs in 12th

The Associated Press

The Baltimore Orioles are making a convincing case for the superiority of the American League — and of themselves.

The Orioles won their second consecutive game in the historic interleague series between baseball's best teams, beating the Braves, the National League champions, 8-3 in Atlanta on Saturday on Chris Hoiles's two-run double in the 12th inning.

Baseball Roundup

Hoiles slammed an 0-2 pitch from Joe Borowski off the right-field wall after striking out in his first five at-bats. The Baltimore catcher fell one short of the major-league record for strikeouts in an extra-inning game.

Arthur Rhodes picked up the victory with three hitless innings in relief and Randy Myers earned his major league-leading 22d save. Five Orioles relievers limited the Braves to one hit over six innings. Baltimore has the best record in the majors at 44-19.

Rockies 7, Athletics 1 Roger Bailey's eight-hitter and home runs by Ellis Burks, Andres Galarraga and Larry Walker powered Colorado to its first interleague victory in Oakland, California.

Bailey struck out five and walked four en route to a team-record fifth complete game this season.

Walker went 2-for-3 and raised his major-league-leading batting average to .412.

Cubs 9, Brewers 5 The rookie Kevin Orie went 3-for-3 with a homer and Chicago won its first interleague game, stopping visiting Milwaukee before the largest crowd of the season at Wrigley Field.

The announced attendance was 38,593 — many of them Brewers' followers from across the state line.

The winner for the Cubs, Steve Trachsel, showing why a National League starter must do more than pitch, had two hits and a sacrifice bunt, despite entering the game just 1-for-25 this season.

Mariners 9, Dodgers 8 Russ Davis hit a solo homer with one out in the ninth and Ken Griffey Jr., Edgar Martinez and Paul Sorrento all homered to lift the Mariners past Los Angeles in Seattle.

Seattle, leading the AL with 98 homers, had 11 hits — six doubles and four homers. Griffey's homer was his *major-league-leading 27th.*

The Mariners have won four straight and 10 of 12.

Royals 8, Pirates 3 Kansas City's Jeff King hit two more homers against his old team, giving him three in two games, and Tim Belcher, one of the Pirates' chief antagonists while in the NL, pitched seven effective innings in Pittsburgh.

King, who hit the first pitch he saw in his return trip to Pittsburgh for a homer on Friday, added two solo shots — his 10th and 11th — in his final two at-bats.

Reds 5, White Sox 1 Kent Mercker kept Albert Belle in check and held slumping Chicago to four hits over eight innings in Cincinnati.

Deion Sanders overshadowed Belle — once again the fans' favorite target — by singling home one run with his 500th career hit and scoring another. Belle was hitless in four at-bats.

Chicago has managed only 10 hits while splitting its two interleague games with the Reds. The White Sox have lost five of six overall and gone 2-5 with Frank Thomas, the AL's leading hitter, sidelined by pulled abdominal muscles.

Cardinals 5, Indians 2; Indians 8, Cardinals 3 The St. Louis rookie Matt Morris pitched a five-hitter over 8⅓ innings of the second game against visiting Cleveland as the Cardinals earned a split in the first interleague doubleheader.

The Indians emulated the NL's move-the-runner-over style and scored all of their runs in the seventh and eighth innings of the opener.

Jim Thome drove in four runs for Cleveland in the day-night doubleheader, forced by a rainout Friday night.

Expos 1, Tigers 0 Pedro Martinez struck out a career-high 14 and pitched a three-hitter as Montreal shut out visiting Detroit and extended its winning streak to a season-high eight games.

Martinez (9-2) ended a personal three-game string of losses and lowered his major-league-leading ERA to 1.60 with his sixth career shutout and second this season.

Blue Jays 3, Phillies 2 Toronto's Joe Carter, whose ninth-inning homer off Mitch Williams in Game 6 of the 1993 World Series beat the Phillies, hit a two-run homer in the seventh to top them again in Philadelphia.

With Orlando Merced on first, Carter hit an 0-2 fastball by the rookie Ryan Nye over the left-field wall after Darren Daulton had tied it in the bottom of the sixth with a solo homer.

Twins 6, Astros 1 Matt Lawton hit a two-run homer in the first inning and Minnesota snapped Darryl Kile's personal six-game winning streak in Houston.

Kile (7-3) walked Chuck Knoblauch to start the game and Lawton followed with his fourth homer of the season. Kile settled down and kept the Twins in check but still got the loss, his first since April 30 against Montreal.

Rangers 8, Padres 6 Dean Palmer had four RBIs as Texas stopped visiting San Diego.

Interleague play made the game the first regular-season meeting of reigning MVPs (Juan Gonzalez of the Rangers and Ken Caminiti of the Padres) and managers of the year (Johnny Oates of Texas and Bruce Bochy of San Diego).

Texas went up 5-0 in the first on a bases-loaded, double-play grounder by Gonzalez, a three-run homer by Palmer and a solo shot by Mike Simms three pitches later. It was Palmer's sixth homer, his first since May 11, and Simms's fourth.

Giants 10, Angels 3 Light-hitting Rich Aurilia, starting for just the eighth time this year, hit his first career grand slam and Jeff Kent added two home runs as San Francisco pounded the Angels in Anaheim, California.

Aurilia hit a 2-2 pitch from his former teammate Allen Watson into the left-field seats with two outs in the second inning after Watson walked Damon Berryhill and Darryl Hamilton to load the bases.

The NL West-leading Giants finished with a season-high four homers in recording their second interleague victory in three games.

• Gary Sheffield's grand slam and five other first-inning runs were wiped out when rain forced the cancellation of the Yankees-Marlins game in Miami. The game will be made up as part of a doubleheader on Sunday.

Florida led, 5-4, when play was suspended with nobody on or out in the bottom of the third.



Carl Everett of the Mets colliding with the Boston catcher Bill Haselman at the plate. Everett was out, but New York went on to win, 5-2.

Fear of (More) 'Fraternizing'

Los Angeles Times Service

Tony Phillips of the Anaheim Angels and Rickey Henderson of the San Diego Padres were running sprints on the outfield grass, loosening up before the interleague opener at Anaheim Stadium.

The former Oakland Athletic teammates embraced warmly as their paths crossed behind second base, where they chatted briefly.

A touching reunion benefit of the innovative June schedule?

The Chicago Cubs' manager, Jim Riggleman, would describe it another way.

"There already is too much fraternizing going on as it is in baseball," Riggleman was saying before the Cubs opened a weekend series with the Milwaukee Brewers at sold-out Wrigley Field in Chicago.

"Now that players see guys from the other league, there may be a temptation to say, 'We see them less, so we'll talk to them more,' " Riggleman said.

"That's a pet peeve of mine," he added. "You're trying to beat the other club. I don't like all the glad-handing before games. You don't see football players doing that 15 minutes before their games."

Gritty Bulls Are NBA Champs Again

By Mike Wise
New York Times Service

CHICAGO — Michael Jordan, Scottie Pippen and the world's best basketball team traded in style for substance to topple the Utah Jazz, 90-86, and win Chicago's second straight National Basketball Association championship, and its fifth in seven seasons.

Riding the grit of their two superstars, the Bulls won the series Friday, four games to two, despite shooting a paltry 34 percent in the first half and trailing by 7 points at halftime.

Jordan rebounded from a slow start to put on a show in the second half. Pippen was equally impressive, blocking shots, scoring and rebounding. The Bulls got little help from their supporting cast.

Utah's Karl Malone was abominable from the field when it mattered most. But Malone and John Stockton received help from their teammates while the Bulls were again reduced to the two-sided triangle offense.

Jordan and Pippen combined for 21 of Chicago's 27 third-quarter points. Save a Jud Buechler 3-pointer at the end of the period that helped the Bulls close to within 70-64, the Jazz were getting more production from their cast of extras.

Howard Eisley was efficient and exciting as Stockton's replacement, Bryon Russell hit some huge jump shots and Greg Ostertag was heeding Luc Longley's progress in the middle.

Utah seemed to have the game in hand early, but, just as in Game 5, the Bulls fought back.

Utah led after one quarter, 23-17, and consistently took Chicago out of its offense by swatting away passes in the lane and not giving up position under the basket.

Malone was woeful from the field and free-throw line. He missed 7 of 11 free throws and was only three of eight from the field in the first half for 10 points. But somehow the Jazz compensated. Russell made three 3-pointers in the first half, including back-to-back shots in the second quarter, when the Bulls had closed to within 28-24.

It wasn't as though Jordan and his teammates were not interested. They pursued loose balls with zeal and contested most of the Jazz's shots. But the Bulls could not synchronize their efforts and their talents for a sustained run.

They were at a further disadvantage when Pippen was called for his third foul with 1 minute 46 seconds left in the first half. Utah led by 10 at one point and had the Bulls down 44-37 at intermission.

It was not much of a lead, given Chicago's history at home and Jordan's history of refusing to let someone get too close to breaking up his dynasty.

Chicago 90, Utah 86

Utah	Min	FG	FT	O-T	A	PF	Pts
Russell	43	5-10	2-2	0-3	0	4	17
Malone	44	7-15	7-15	3-7	2	3	21
Ostertag	21	0-2	1-2	0-8	2	3	1
Stockton	37	5-9	3-3	0-6	5	3	13
Hornacek	36	4-9	8-9	0-4	1	5	18
Eisley	11	2-5	2-2	0-0	3	1	6
Foster	5	0-1	0-0	0-2	0	1	0
Carr	6	1-2	0-0	0-0	1	1	2
Anderson	26	2-10	4-6	1-3	0	1	8
Morris	11	0-2	0-0	1-3	0	3	0
Totals	240	26-65	27-39	5-52	14	25	86

Chicago	Min	FG	FT	O-T	A	PF	Pts
Pippen	43	6-17	10-12	3-9	2	5	23
Rodman	33	0-4	1-2	3-11	3	4	1
Longley	14	0-4	0-0	3-3	0	4	0
Harper	18	1-4	0-0	2-3	2	3	2
Jordan	44	15-35	8-10	1-11	4	2	39
Williams	23	2-5	0-0	2-7	2	4	4
Kukoc	25	3-6	2-4	0-4	0	0	9
Kerr	25	3-5	2-2	0-1	0	3	9
Coffey	2	0-0	0-0	0-0	0	1	0
Buechler	8	1-1	0-0	1-1	1	0	3
Brown	5	0-0	0-0	0-0	1	2	0
Totals	240	31-81	23-30	15-66	15	28	90

Utah	23	21	26	16—86
Chicago	17	28	27	26—90

3-Point goals: Utah 7-15 (Russell 5-8, Hornacek 2-4, Stockton 0-1, Anderson 0-1, Morris 0-1), Chicago 5-14 (Kukoc 1-1, Buechler 1-1, Kerr 1-2, Pippen 1-4, Jordan 1-4, Rodman 0-1, Harper 0-1). Technicals: Malone, Williams, Rodman, Chicago illegal defense.
(Chicago won series 4-2)

Jordan's Plea: Stick With the Winners

Washington Post Service

CHICAGO — An hour after finishing one mission — winning a fifth National Basketball Association championship — Michael Jordan embarked upon another: keeping his Chicago Bulls together despite hints from top management that it might be time to trade some of the assets and start the rebuilding process.

Jordan usually saves his best politicking for private conversations, but in the wee hours of Saturday morning — after the Bulls had defeated the Utah Jazz, 90-86, in Game 6 — he let fly easily the most forceful soliloquy of his 13-year career.

Jordan challenged the team chairman, Jerry Reinsdorf, and vice president, Jerry Krause, to make whatever financial sacrifices necessary to retain the coach, Phil Jackson; the Bulls' other star player, Scottie Pippen, and the core of the team, which Jordan said is only payback for services rendered that have made the Bulls the most popular sports franchise in the world and one of the richest.

Vantage Point / **Michael Wilbon**

"I think this team is entitled to an opportunity to continue to be successful," Jordan said. "I'm not saying Jerry Reinsdorf is the richest guy in the world. I'm not saying that all his partners can financially support what this team needs to maintain or be successful. But we've done a lot for this organization. We put it in a situation where it can be very valuable. When I first came here I'm pretty sure everybody can tell you that the Bulls team was worth probably $13 million, maybe $15, $16 or $17 million. Now it's worth $150 million."

He added: "What we want now, in trying to keep this team together and successful, we paid for over the last six, seven, eight, 10 years. There has to be some consideration, some sense of loyalty to myself, to Scottie, to Phil, even to the guys who have given of themselves over the last two years.

"We're entitled to defend what we have until we lose it. If we lose it, then you look at it and say, 'O.K., let's change.' But rebuilding? Nobody is guaranteed rebuilding is going to take only two, three, four, five years. The Cubs have been rebuilding for 42 years."

Actually, it has been 52 years since the Chicago Cubs' last championship season.

Jordan played this season with a one-year, $30 million contract. Before the season, the Bulls signed Jackson to a one-year contract that allowed him to negotiate with other teams during the playoffs.

Pippen has been the subject of trade rumors. Reinsdorf and Krause believe that they are themselves as responsible for the five championships as Jordan, Pippen and Jackson, the only three members of all five title teams.

They have expressed the desire more than once to prove that the franchise can win a championship without that threesome. But Jordan has backed them into a corner, saying that he won't return if it means playing for a coach other than Jackson.

"Sad as it may be, I have choices and I choose not to play for another coach," Jordan said when he returned from his 18-months of baseball "retirement" in March 1995. "I chose to play for Phil Jackson and to finish Scottie Pippen's contract," which expires after the 1998 season.

Jordan said Pippen has "earned it, I've earned it, Phil has earned it and the city of Chicago has earned it."

Just 48 hours earlier, in Wednesday night's Game 5, Jordan, 34, was dehydrated, feverish and vomiting due to a stomach virus. But he scored 38 points, including the three-pointer that put the Bulls ahead. He struggled to get back to his feet twice in Game 6, prompting speculation about his health and stamina.

"I'm tired, I'm weak, but I've got the whole summer to recuperate," Jordan said. "It's been a fight. It's all guts, deep down, determination. There's been a lot of soul-searching. It's easy to sit back and say, 'I've given my best, I'm tired, somebody else has got to do it.' But I didn't take that approach. I did whatever I could do. Every little inch of energy I have, I'm going to provide for this team."

Jordan, more than he ever has in the 10 years the two have been together, thanked Pippen, expressed his admiration for him, told Pippen before the championship trophy presentation, "You're my MVP." Jordan said he would keep the NBA Finals MVP trophy, his fifth in as many championships, but give Pippen the automobile that is awarded to the winner.

He even extended that support to Dennis Rodman, whose contract also has expired and whose shenanigans and suspensions have at times irritated his coach and teammates.

"His dressing doesn't bother me," Jordan said. "His hair doesn't bother me. Sure, he's going to go wacko every now and then. We've come to live with that, accept it. But you can't find another player on the basketball court that works as hard as Dennis Rodman. I don't have a problem with Dennis."



Jeff Haynes/Agence France-Presse

Michael Jordan celebrating the Bulls' fifth NBA title with team members and Chicago's previous trophies.

THIS WEEK ON EUROSPORT

The best young footballers in the world meet in Malaysia, who will lift the Cup to become the Under 20 World Champions?

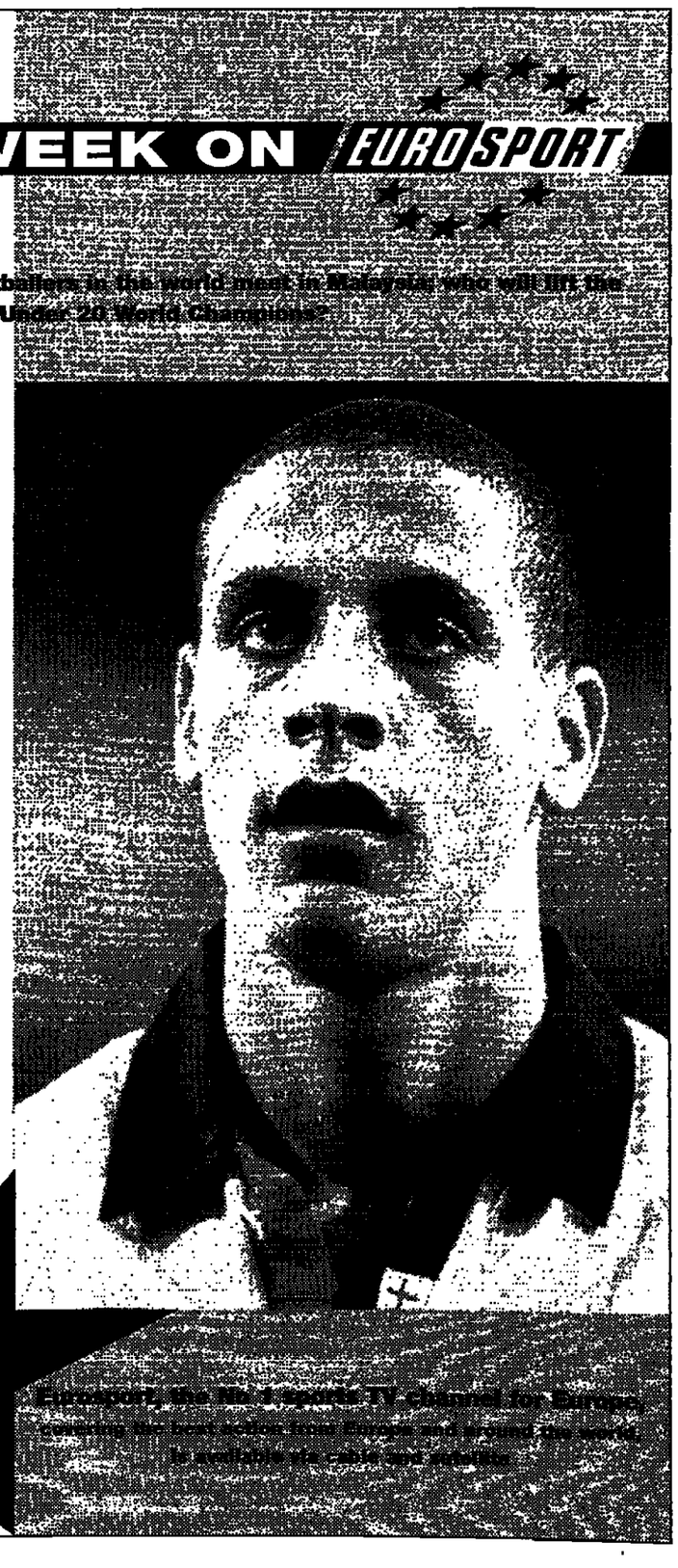
Football:
16 - 22 June, LIVE,
The FIFA Under 20 World Championship
Brazil, England, Spain, France are among the 24 nations who qualified for the competition

Indy car:
21 - 22 June, LIVE,
The PPG CART World Series, Portland
Mark Blundell will want to banish the memory of running out of fuel on the last corner of the last lap in the previous round of the Championship

Cycling:
17 - 26 June, LIVE,
The Tour of Switzerland
144 riders will line up at the start of the 60th running of the race

Athletics:
21 - 22 June,
The Europa Cup, Munich
Linford Christie leads Britain for the last time as the giants of European athletics clash in Germany

Golf:
20 - 21 June,
The WPG European Tour,
The Evian Masters
Laura Davies is expected to return to France to defend the title that she won in 1995 and 1996



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TRIATHLON What's the hurry? At 82, athlete just wants to finish **p.20** **NBA** Bulls capture their 5th championship **p.21**

Herald Tribune
SPORTS

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WORLD ROUNDUP

Red Wing Critical

ICE HOCKEY Vladimir Konstantinov, the Detroit Red Wings defenseman, remained in a coma Sunday after a car crash in which several members of the Stanley Cup-winning team were injured, but he appeared to be responding to voices of teammates and family.

"There is movement, there have been subtle signs of facial expression," said Dr. James Robbins, a trauma surgeon at William Beaumont Hospital.

"There's still reason for a lot of concern. But it's an optimistic sign, and it gives good reason to remain hopeful and optimistic that ultimately he is going to do well."

Sergei Mnatsakanov, the team masseur, also remained in a coma. Both men were in critical condition. Viacheslav Fetisov, a defenseman, and Richard Gnida, the limousine driver, remained in good condition and should be released soon, Robbins said.

They were injured when the limousine returning from a golf outing hit a tree Friday in Birmingham, Michigan, six days after the Red Wings won the Stanley Cup.

Gnida's driving license had been revoked until at least next year because of his bad driving history.

Robbins said doctors did not yet have any indication what kind of recovery Konstantinov and Mnatsakanov could make. *(AP)*

De La Hoya Wins Fast

BOXING Oscar De La Hoya put on a brief and spectacular show before dispatching David Kamau in the second round in San Antonio, Texas, to retain his WBC welterweight title.

De La Hoya was making the first defense of the title he won two months ago from Pernell Whitaker. He dropped Kamau, a Kenyan, with a left hook with 17 seconds left in the second round.

Fighting in sweltering heat on the eve of his 46th birthday, Roberto Duran won for the 100th time in his career with a close decision over the Argentine middleweight, Jorge Castro.

The four-time world champion was appearing before a hometown crowd of 10,000 in Panama City on Saturday. He earned unanimous decisions from the three judges, all Panamanian. *(AP)*

Graf Says She May Quit

TENNIS Steffi Graf, worried that chronic injuries could damage her long-term health, said she is considering retiring and would have no problem ending her career.

Graf also told Welt am Sonntag newspaper that she was unhappy over the treatment she had received from one of her doctors. *(Reuters)*

Russian Official Killed

SOCCER Larisa Nechayeva, the director-general of the top Russian club Spartak, was shot dead Sunday, the police said.

A police officer, speaking by telephone from Taratovo, about 120 kilometers (75 miles) east of Moscow, said Nechayeva was killed, along with another woman, when their car was fired upon. *(Reuters)*

West Indies Wins Test

CRICKET Both opening batsmen made rapid half-centuries Sunday as the West Indies won a low-scoring first test against Sri Lanka in three days.

Sri Lanka added just one run to its overnight total and was all out in its second innings for 152, setting the West Indies 187 to win. Sherwin Campbell made 79 and Stuart Williams 83 and, in spite of a small collapse, the West Indies won by six wickets. *(Reuters, AFP)*



Nick Faldo lining up a putt Sunday at the U.S. Open, while his partner, Tiger Woods, looked over his shoulder.

Lehman Leads a Soggy U.S. Open

2 Others Are 2 Shots Back After the Rain-Delayed 3d Round

Reuters

BETHESDA, Maryland — Tom Lehman birdied the final hole of the rain-delayed third round of the U.S. Open on Sunday to take a two-stroke lead into the final round.

Lehman, the second-round leader, carded a two-under-par 68 for a five-under total of 205. He was two strokes ahead of Jeff Maggert, who had led the rain-interrupted round overnight, and Ernie Els, who jumped into contention with three birdies in the five holes that he played Sunday morning.

Colin Montgomerie, who had led the first round, was the only other player under par entering the last round after posting a 67, the lowest score of the third round.

Tiger Woods, the U.S. Masters champion, appeared to have dashed any hope of continuing a Grand Slam run as he finished the round at four over par, nine shots off the pace.

They were among 21 players who had to complete the third round early Sunday after a thunderstorm struck Congressional Country Club on Saturday, forcing a two-hour delay of play for the second consecutive day. On Friday, the second round was also interrupted by bad weather and had to be concluded Saturday morning.

Maggert, who had wrested the third-round lead from Lehman before the storm struck, fell back with a bogey on the course's scenic signature hole — the 480-yard, par-4 17th, which finishes on the shore of a lake that is shared by the 18th hole. He matched Lehman's 68.

Els, a South African who won the 1994 Open in a three-man playoff, caught Maggert with three consecutive birdies from the 15th to shoot 69 and stand two shots from the lead.

The final round began immediately after the third ended on a pleasant, sunny morning, a welcome change from the previous two rainy days. There were 84 players still in the field with the final pairing of the day — Lehman and Maggert — due to tee off at 2:54 P.M. (1854 GMT).

Jay Haas (68), Tommy Tolles (69) and David Ogrin (71) were all at level-par 210.

Montgomerie, who lost to Els in the '94 playoff, had to play only two holes in the early morning light, but the Scotsman could not gain on the leaders, making a bogey on the 17th and then a birdie on the 190-yard 18th — the first par-three to conclude an Open since 1909.

Woodsalso played two holes in the morning, parring both for a 73 that left him nine strokes back in his quest for a seventh consecutive U.S. national championship.

Woods, 21, who won the Masters with a record total score in April, had won three consecutive U.S. Junior and three successive U.S. Amateur championships.

But he had his work cut out for him in the final round, with 20 players standing between him and his second straight major championship.

■ Milestone for Nicklaus

Jack Nicklaus played his 10,000th hole in a major golf championship on Sunday at Congressional Country Club, reaching the milestone on the 10th hole of the fourth round, Agence France-Presse reported.

Nicklaus began the streak with a birdie on his first hole in 1957 at Inverness and made a par four on the 10,000th on Sunday.

■ Early Final-Round Scores

Among the early starters in the fourth round Sunday, Lee Janzen, Hale Irwin and Nicklaus came in with totals of 293, Reuters reported from Bethesda, Maryland. Larry Mize shot a final-round 74 to finish at 294.

None of the early finishers were in contention, with the best scores far over the 280 par. Bradley Hughes shot a one-under 69 in the final round for a five-over total of 285. Nick Price of Zimbabwe shot a 70 to finish on 286.

Ben Crenshaw shot a fourth-round 74 to finish at 297. Tom Kite had a 72 for a total of 298.Paul Azinger had a 70 to finish on 288.

Pros and Cons Of Playing With Tiger

New York Times Service

When it comes to playing with Tiger Woods, Steve Jones received a major dose over the first two days of the Open, and he found it can be good and it can be bad.

The positives? It can be energizing to play before such a large and enthusiastic gallery, and a forgiveness factor is involved as well.

Even though Jones, Woods and Tom Lehman fell two groups behind at times, they were never warned for slow play; allowances are made because of the crowds and the news media that accompany Woods.

The negatives? Those same crowds can cause lengthy waits for the players, throwing off their golfing rhythm. "We were always waiting for the photographers to get on the tee and the crowd to move," Jones said. "The fact that the round took so long, I don't know if it affected us, but even Tiger seemed to wear down a bit at the end."

And yes, the allowances disappear. Saturday, Jones and his playing partners, Jesper Parnevik and Thomas Bjorn, were told to play faster.

Early Finish Gives Schumacher Victory

Crash Ends Canadian Grand Prix

Compiled by Our Staff From Dispatches

MONTREAL — A crash in which Olivier Panis was injured cut short the Canadian Grand Prix on Sunday, handing a victory to the two-time Formula One champion, Michael Schumacher.

Schumacher took the lead moments before Panis crashed when David Coulthard — who had appeared to be assured of victory — stalled while making a pit stop to change his tires.

As a crew tried desperately to restart Coulthard's Mercedes-McLaren, Panis slid through a turn, tagged a concrete barrier with the nose of his Prost-Mugen Honda and slammed into a tire wall.

The Frenchman was carried to the side of the track, while a safety car led the rest of the field slowly around the 2.747-mile, 15-turn Circuit Gilles Villeneuve on Montreal's Notre Dame Island. Panis was taken off in an ambulance. Initial reports were that he had a broken leg.

A red flag ended the event after the completion of 54 of a scheduled 69 laps. The last time a Formula One event was cut short by accident was at Estoril, Portugal, on Sept. 23, 1990, when Alex Caffi crashed.

The victory was Schumacher's second of the year and the 24th of his career.

"I hate to win a race like that, and I feel badly for Olivier," Schumacher said.

A record crowd watched the race, in hopes of seeing a victory by a hometown hero, Jacques Villeneuve.

But the 26-year-old racer crashed near the end of the second lap, locking his brakes and sliding into a concrete barrier.

"It can happen," Schumacher said of Villeneuve's mistake. "We push hard. Sometimes you do a bit too much. But I was a little surprised. Top drivers don't spin off too often."

The race turned into a strategic battle between the Ferrari of pole winner Schumacher and Coulthard, who started fifth. Both wound up having problems with blisters and wear on their Goodyear tires.

"We did everything to keep the tires alive for the distance, but obviously it wasn't enough," Schumacher said.

Schumacher led until he made his first pit stop on Lap 28, giving up the top spot to Coulthard. Coulthard stopped on the 40th lap. Schumacher started losing ground because his tires blistered again and he made unscheduled third pit stop on lap 51, falling nearly 32 seconds behind Coulthard, who decided he had a big enough margin to stop for fresh tires and retain the lead.

But problems with his clutch led to the stalled engine, and Schumacher drove by to take the lead. Coulthard wound up just outside the points in seventh, the last car on the lead lap.

Jean Alesi finished second in a Benetton-Renault, followed by Villeneuve's Williams-Renault teammate Heinz-Harald Frentzen, Johnny Herbert in a Sauber Petronas and Shinji Nakano, in the other Prost-Mugen Honda.

CANADIAN GRAND PRIX

Results of Sunday's Canadian Grand Prix, halted after 54 of scheduled 69 laps and results of which were calculated on basis of 54 laps completed:

1. Michael Schumacher, Ger., Ferrari, 54 laps, 238.734km in 1h. 17m. 48.646 s., av. 184.404 kph. 2. Jean Alesi, France, Benetton-Renault, at 2.565 s.; 3. Giancarlo Fisichella, Italy, Jordan-Peugeot 5,219; 4. Heinz-Harald Frentzen, Germany, Williams-Renault 5,768; 5. Johnny Herbert, Britain, Sauber 7,716; 6. Shinji Nakano, Japan, Prost-Mugen-Honda, 36,701.

DRIVERS' CHAMPIONSHIP: 1. Schumacher 37 points; 2. Jacques Villeneuve, Canada, 20; 3. Olivier Panis, France, 15; 4. Eddie Irvine, Britain, 12; 5. Frentzen 13; 6= Alesi 13.

CONSTRUCTORS' CHAMPIONSHIP: 1. Ferrari 51 points; 2. Williams 43, 3. Benetton 22, 3. McLaren 21, 5. Prost 16, 6. Jordan 12, 7. Sauber 8, 8. Stewart 6, 9. Tyrrell 2.

Alboreto Wins Le Mans in Joest Porsche

Compiled by Our Staff From Dispatches

LE MANS, France — Michele Alboreto drove the Joest Porsche prototype to victory Sunday in the Le Mans 24 Hours race.

"I've had this dream for a long time of winning this race, and now it has come true," Alboreto, a 40-year-old Italian, said after the victory, shared with his partners, Stefan Johansson of Sweden and Tom Kristensen of Denmark.

It was the second consecutive winning effort for the Joest Porsche team, a private team that uses a Porsche engine in its cars. The factory-backed Porsches dropped out while comfortably in front.

Alboreto, Johansson and Kristensen combined for the victory with more than 360 laps completed. The car had led the qualifying run on the 13.605-kilometer (8,456-mile) circuit.

The factory Porsches were first and second for nearly 20 hours. The Joest Porsche gained the lead when the second factory Porsche caught fire with two hours and 15 minutes to go.

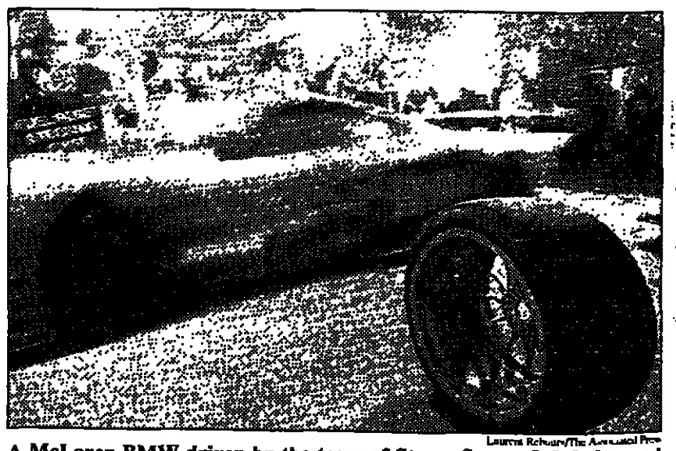
The Porsche of Thierry Boutsen, Bob Wollek and Hans Stuck took the lead in the second hour of the race and held first for nearly 14 hours before Wollek went off the road and stopped.

The second factory Porsche was holding a one-lap lead when it burst into flames on the track. Ralf Kelleners got out unhurt, but the car was out of the race after 327 laps.

McLaren F1 GTRs finished second and third. The team of Jean Marc Gouno and Pierre Henri Raphanel of France and Anders Olofsson of Sweden was runner-up, about two laps back.

Only 17 of the 48 starters finished the race.

Mario Andretti, seeking the only major title he has yet to win, faltered again as the Courage Porsche he drove with his son, Michael, and Olivier Grouillard of France crashed on Sunday morning. *(Reuters, AP)*



Laurent Rebours/The Associated Press

A McLaren BMW driven by the team of Stever Soper, J. J. Lehto and Nelson Piquet leaving the pits during the 24-hour race in Le Mans.



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